

Austria	Sc. 18	Indonesia	Go 2600	Portugal	Esc 80
Bahrain	Sc. 9,500	Italy	1,390	S. Arabia	Sc. 0.80
Belgium	Br. 42	Japan	Y550	Singapore	SS 41.00
Canada	C1 06	Korea	Re. 500	Spain	Pr. 110
Cyprus	Sc. 50	Taiwan	Re. 500	St. Lucia	Rp. 30
Denmark	Da. 7.25	Thailand	Th. 8.00	Sweden	Sc. 0.50
Egypt	Eci. 30	Laos	Lb. 42	Switzerland	Sw. 2.70
Finland	Fin. 0.80	Malaysia	Ma. 4.25	Taiwan	Tw. 855
France	Fr. 0.30	Mexico	Ps. 300	Turkey	TL 0.00
Germany	DM 2.20	Morocco	Dr. 0.80	U.A.E.	1.210
Ghana	Gh. 70	Netherlands	D. 2.50	U.S.A.	\$1.00
Hong Kong	HK\$ 12	Peru	Mk. 6.00		
India	Re. 15	Philippines	Ps. 20		

Reagan trade stance angers Republicans

President Ronald Reagan has threatened to veto any protectionist legislation. Congress sends to the White House for his signature, raising the prospect of a head-on conflict with Republicans and Democrats alike on Capitol Hill, where a strong protectionist wave is gathering strength.

The President's stance on the trade issue, which was illustrated last week when he denied protection to the shoe industry, is a growing source of concern to fellow Republicans on Capitol Hill. They fear that the President is adopting a position which will weaken the Republican Party, its efforts to retain control of the Senate in next year's mid-term elections.

It is argued that Mr. Reagan is handing the rival Democrats an issue that can be transformed into an attack on the Administration's economic policies and an opportunity to capitalize on the "patriotism" theme, which Mr. Reagan has hitherto made his own. The Democrats will be able to present themselves as the defenders of American industry and jobs against "unfair" foreign competition.

In his weekly radio address, President Reagan said: "Whether it is trade, trade or tariff legislation that we are now in the midst of considering, I will be whether it is in the long-run economic interest of the United States... Any tax hike or spending bill or protectionist legislation that does not meet the test of whether it advances Ameri-

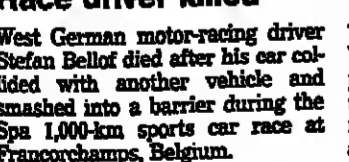
ca's prosperity must and will be opposed."

Reagan's comments have clearly given him the opportunity to decide that a particular piece of legislation is in the long-term interests of the country. To that extent the President has left himself room for manoeuvre. On the other hand, he has also left himself open for the shoe-industry decision last week. Mr. Reagan is identifying himself strongly as a free trader and making himself politically vulnerable on the trade issue.

The Democrats have wasted no time in trying to exploit that vulnerability. In the Democrats' response to the President's statement, Mr. Morris Udall, Representative of Arizona, described the \$150bn U.S. trade deficit as a "loaded gun" created by the Administration's economic policies.

It is not just Democrats on Capitol Hill who are critical of the strong free-trade stance the President is adopting. Senator Robert Dole, the Republican majority leader in the Senate, has warned publicly that a bill granting the textile industry import protection "would play hell with this year's election."

Former Senate Majority Leader Howard Baker was quoted in yesterday's New York Times as saying "a major political conflict is shaping up. Unless there is leadership from the White House on the issue Senate Republicans are going to take it over."



PEOPLE EXPRESS, the cut-price U.S. airline, has adopted a new capital structure and announced plans to raise additional funds in moves aimed at insulating itself against a hostile takeover.

The airline's announcement of its new policy comes at a time of intense Wall Street speculation in the shares of several other carriers. Only last week, an investor group led by Mr Carl Icahn, the New York financier, won control of TWA, while the shares of Pan Am, the other of the large U.S. trunkline companies, were under attack in heavy volume over the last two weeks.

Mr Donald Burr, chairman of People Express, in which employees have a substantial equity stake, said the changed structure of the company would ensure that control would rest in the hands of stockholders who "have long-term investment objectives."

Burr has added, "deter precipitous changes in control of the company that could be adverse to the best interests of the company and its stockholders."

Under the plan adopted by shareholders, the group is aiming to establish a barrier against unwanted takeovers in the form of class B common stock that will carry 30 votes a share, but will not be freely transferable. The class B shares, however, will be convertible into common stock, the idea being that current short-term holders will

Continued on Page 16

SPAIN will take a stake in the Eurofighter aircraft, being planned for the late 1990s, Sr Felipe González, the prime minister, said at the weekend.

That was the first confirmation of Spanish backing for the project since Britain, West Germany and Italy agreed to proceed ahead with the fighter at a meeting in Turin last week. Spain said at that time it joined France in withholding its signature.

However, Sr González said that Spain "would like France also to be integrated in the project."

A decision by Madrid was expected last week, when the project was discussed in Cabinet. But the Spanish Government is evidently anxious to wait until the last hope of a reconciliation with France on the kind of aircraft to be developed has been exhausted.

"We would rather France were not left out," Sr González said, "but we will participate in any case."

At the same time, Sr González indicated that Spain would consider taking part in the U.S. Strategic Defence Initiative (star wars) project.

He sent back his own reply to the French Republic's proposal because of its civilian nature, but, if that failed to provide Spain with opportunities for technological development, the Government would study what star wars had to offer.

However, he criticised as "unproductive" the idea of creating a defence system based on satellites in space.

Sr González made the statements in an interview with New China News Agency, ahead of a Far Eastern trip that he is due to start on Wednesday.

Participation in the Euro-fighter is seen as a means of widening the technological base of the country's defence industry and providing a

more important role for the state-owned aircraft company, Csa.

If France opts to stay out of the EPA and pursue instead its own project for a smaller ground-based aircraft, Spain will be given a 13 per cent stake in the European venture.

Spanish participation would mean a reduction in the British and West German shares from 36 per cent each to 33 per cent, with Italy's stake coming down from 24 to 21 per cent.

David Houssoe in Paris writes: The French Ministry of Defence decided yesterday that the Spanish decision was a "setback" for France.

But the European discussions would begin again on a "new and positive" footing.

A statement from the ministry said the aircraft to be built jointly by the four European partners should be backed up by a new ground attack aircraft.

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When you deal with Standard Chartered, in short, you're dealing with a major British bank to whom international business is a way of life.

And can you afford to gamble your international success on anything else?

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OVERSEAS NEWS

Social Democrat win forecast in Swedish election

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SWEDEN'S Social Democratic Party will win the general election on September 15 but with reduced support, according to the first election forecast published over the weekend, and will be dependent on the votes of the Communists in the Riksdag, the Swedish parliament.

Since September, 1982, the Social Democrats have ruled Sweden as a minority government. They have enjoyed an overall majority over the three centre-right opposition parties, however, and were vulnerable to defeat in the Riksdag only if the Communists voted with the non-socialist opposition.

In its first election forecast IMU, one of Sweden's leading opinion research institutes, says that the Socialist "bloc" will win 49.9 per cent of the popular vote compared with 47 per cent for the three non-socialist parties, the Conservatives, Liberals and Centre Party.

The Social Democrats, who returned to power in 1982 after six years in opposition, are expected to gain 44.4 per cent of the vote, compared with 45.6 per cent three years ago.

The trends of the IMU forecast are confirmed by a second opinion poll taken by Sifo, the Swedish Opinion Research Institute, but it suggests that the gap between the two blocs is much smaller.

The Social Democrats have staged a strong recovery in successive opinion polls this year after trailing badly for much of 1983 and 1984. In the 1982 election, the socialist bloc won 51.2 per cent of the vote, compared with 45 per cent for the non-socialists, during their six years in power.

This year's election is an important test for Mr Olof Palme, the Social Democratic Prime Minister, who has already suffered the ignominy of leading the Social Democrats into two defeats (1978 and 1979) since he took over leadership of the party in 1969.

In the IMU poll, the biggest loser is the Centre Party, which represents chiefly rural and agricultural interests and which enjoyed strong popularity in the early 1970s because of its strong campaign against nuclear power. For this year's election the Centre Party has formed a technical electoral pact with the tiny Christian Democratic Alliance (KDS) but this move seems to have proved unpopular with voters.

The IMU poll forecasts a share of only 13.7 per cent for the combined centre ticket, compared with 15.6 per cent for the 1982 election and 18.1 per cent in 1979.

The Swedish Conservative Party, which has been campaigning hard for lower taxes and a "change of system" in Sweden, is forecast to win 25.2 per cent of the vote, compared with 23.6 per cent in 1982 and 20.3 per cent in 1979.

He also said he did not oppose an amnesty for political prisoners, Reuter reports from Ankara.

The 67-year-old head of state warned deputies to beware of a return to the political in-fighting and factional violence which prompted the 1980 military coup, led by Mr Evren.

He also said he did not oppose an amnesty for political prisoners, Reuter reports from Ankara.

He warned the 400-seat Assembly, elected when partial parliamentary democracy was restored in 1983, against trying to circumvent a constitutional clause excluding from amnesty those convicted of "anti-state activities" — covering many of the left-wingers involved in the pre-coup turmoil.

Most right-wingers jailed fell under other sections of the criminal code.

The unrepresentative nature of the Assembly is one foreign criticism of Turkey, but Mr Evren said he was opposed to early elections demanded by the non-parliamentary opposition.

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John Elliott reports from the village home of Sant Longowal as Punjab parties prepare for election

Indian politicians honour murdered Sikh leader

SEVERAL hundred thousand brightly clothed Sikhs paid homage to the late Akali Dal leader, Sant Harchand Singh Longowal, in his home village south of Amritsar, yesterday on the 13th day after his death.

India's top political opposition leaders travelled through the rich green Punjab countryside to the large prosperous village, along with hundreds of bus and lorry loads of Sikhs for the traditional ceremony to bless his soul.

Sant Longowal was shot by Sikh extremists after concluding a deal with Mr Rajiv Gandhi, the Indian Prime Minister, to settle the Sikhs' economic and political demands and end

three years of mounting violence. The respect he won throughout the country for daring to strike that deal was demonstrated yesterday when opposition leaders such as Mr A. Vajpayee of the Bharat Janta Party and Mr Bama Krishna Hodge of the Janta Party joined with top Sikh leaders on a hot

monsoon day to form one of the biggest crowds seen in India for many years. Official estimates put the total at over 500,000 people.

Militant Sikh youths, wearing saffron coloured turbans as a mark of protest against the army's storming of the Amritsar Golden Temple 14 months ago,

mixed with the Nihang warrior class who wear brightly coloured skirted shirts and carry large ceremonial swords, and masses of the Jat farming caste. The crowds were generally quiet and there was no violence.

After morning prayers and chanting of readings and hymns from the Sikh's bible, the Granth Sahib, the high priest, sat impassively on a podium in a huge tent while the politicians made their speeches. Thousands of people filed past, making offerings of small denomination rupee notes onto the floor.

But the politicians also had other work to do and the area alongside the podium, covered

in large white sheets, resembled a mini political convention. Top power brokers in the Akali Dal (L), the Sikh's main party that was headed by Sant Longowal, haggled and argued about the allocations of candidates' seats for imminent elections to Punjab's State Assembly and the national Parliament in New Delhi.

Their party is called the Akali Dal (L) after Mr Longowal, to differentiate it from a more extremist and fragmented splinter party called the United Akali Dal headed by Baba Joginder Singh, father of Jarnail Singh Bhindranwale, the leading extremist who was killed in the Golden Temple battle.

Leaders such as Mr Gurcharao Singh Tohra, president of the management committee that runs Sikh temples, and Mr Parkash Singh Badal, a former Punjab chief minister, both insisted yesterday that the Akali Dal (L), now united after earlier splits, would win as many as 70 of the 117 seats in the State Assembly, defeating Mr Rajiv Gandhi's Congress (I).

They denied that they had an electoral alliance with Mr Gandhi. They also rejected rumours that Mr Gandhi has agreed that Congress (I) would share power with the Akali Dal (L) if it wins, in order to reduce the risk of fresh Akali agitation and extremists' violence.

"We would never join up with Congress (I)," said Mr Badal. Both parties are now being careful not to appear too close as the election campaign warms up — candidates are now being announced and electioneering formally starts on Thursday for polling on September 25.

Significantly Congress (I) did not send any delegates to speak at yesterday's ceremony. Mr Arjun Singh, the Punjab governor who is a senior Congress (I) figure, only attended briefly to deliver messages from Mr Gandhi and Mr Zail Singh, India's Sikh President, which were read out by Akali officials.

Ms Bhutto, daughter of the executed former prime minister Mr Zulfikar Ali Bhutto, was put under house arrest for 90 days on Thursday, a week after she returned from 19 months of self-exile in Europe to bury a dead brother.

"She may be flown out of Pakistan in a few days," a PPT leader said. Police sources said Ms Bhutto might leave Pakistan in a few days to resume medical treatment for ear trouble.

Ms Bhutto, a bitter critic of the military government of General Mohammad Zia-ul-Haq, who toppled her father in a 1977 coup and later ordered him executed, returned on August 21 to bury her younger brother, Shahinwar, who died mysteriously in Cannes in July.

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"It appears that even the slightest headway depends exclusively on concessions by the Soviet Union."

Evren opposes political amnesty

PRESIDENT Kenan Evren, addressing a new session of the Turkish Parliament yesterday, defended the country's limitations on democracy and opposed an amnesty for political prisoners, Reuter reports from Ankara.

The 67-year-old head of state warned deputies to beware of a return to the political in-fighting and factional violence which prompted the 1980 military coup, led by Mr Evren.

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Papandreou warns of tough times ahead

BY ANDRIANA HERODIAKOU IN SALONIKA

DR Andreas Papandreou, Greece's Socialist Prime Minister, hinted for the first time of the weekend that the country's economic problems might become grave enough to necessitate a painful international Monetary Fund rescue unless the public and private sectors tighten their belts.

"We must all understand a simple truth: we cannot consume more than we produce. That way we can insure against economic measures imposed from abroad tomorrow, through our economic policy today," the Prime Minister said in a sombre

state-of-the-economy speech marking the 50th anniversary of the Salonika trade fair.

Dr Papandreou's speech is the clearest signal since the Greek general elections last June that the Socialists plan to execute a U-turn in favour of tighter economic policies. The Prime Minister defended the relaxed policies of the Socialists' first four years in power, but said "a more courageous stabilisation policy" was now in order.

According to Dr Papandreou the Government's main worries are rising foreign borrowing trends stemming from high

current account deficits, double-digit inflation and poor levels of productivity and competitiveness.

According to central bank figures, Greece's overall foreign debt stands at over \$13bn (\$9.2bn). The current account deficit reached \$2.1bn in 1984. The annual inflation rate is running at about 18 per cent. The Government's targets of a balance of payment deficit of less than \$2bn and an inflation rate of 15 per cent for 1985 look unlikely to be met.

Dr Papandreou rallied all Greeks to "a national effort to get out of the crisis." In particular he warned trade unions in which the bitterly hostile Communist opposition has considerable power — that they must formulate wage demands bearing in mind that "there are limits of endurance to the economy."

He called on private businessmen to realise that "Socialist rule is not just a brief parenthesis" in Greece, but assured them that the Government was "not against profit" and that adequate incentives exist for productive investment.

After his talks with the East German leader, Herr Strauss said they discussed future economic ties.

AP adds from Cologne: Despite the recent spy scandal, West Germany wants to "avoid setbacks" in its relations with East Germany, Bonn's chief

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He said of the Geneva summit: "It looks as if the stage is being set (by Washington) for a bout between some kind of political 'super-gladiators', with the only thought in mind being how best to deal a deft blow at the opponent and score an extra point."

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Bonn spy case shunned in E. German talks

BY LESLIE COULTY IN BERLIN

A HIGH-LEVEL meeting yesterday between East and West German politicians signalled their determination not to allow the current espionage scandal in West Germany to affect the delicate political ties between Bonn and East Berlin.

Herr Franz-Josef Strauss, who heads the important Bavarian wing (CSU) of Chancellor Helmut Kohl's Christian Democrats (CDU) had talks with Herr Erich Honecker, the East German leader, in Leipzig during the opening of the biannual East-West trade fair.

Before meeting the East German President, Herr Strauss indicated he would not bring up the espionage case. He said he was critical of West German agencies and their leadership

but "not of the activities of spies and agents" in what he called one of the oldest professions in the world.

The espionage affair involving the defection to East Germany of Herr Hans-Joachim Tiedge, a top West German counter-espionage official and other Bonn government employees was initially played down by the West German Government. German commentators now suggest that Chancellor Kohl and Herr Strauss hope to deflect mounting criticism of Herr Friedrich Zimmermann, the West German Interior Minister, who is ultimately responsible for the counter-espionage agency.

In Leipzig, Herr Honecker said he was "optimistic" about the future of East-West German relations. He cautioned, however, that they must be governed by "realistic deeds" and noted that trade between the two countries would exceed a record DM 16bn (\$4.1bn) this year.

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Pakistan may allow Bhutto to return to exile

PAKISTANI military authorities may allow opposition leader Ms Benazir Bhutto, now under house arrest, to go into exile again, sources here say.

Ms Bhutto, daughter of the executed former prime minister Mr Zulfikar Ali Bhutto, was put under house arrest for 90 days on Thursday, a week after she returned from 19 months of self-exile in Europe to bury a dead brother.

"She may be flown out of Pakistan in a few days," a PPT leader said. Police sources said Ms Bhutto might leave Pakistan in a few days to resume medical treatment for ear trouble.

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ADMINISTRATION FAVOURS TALKS WITH ANC

U.S. hardens policy towards South Africa

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration has underlined the importance of releasing Mr Nelson Mandela from prison and hinted that it favours including the outlawed African National Congress in political negotiations about South Africa's future.

The comments, made by a State Department official at a briefing for reporters, were seen by some observers in Washington as indicative of a hardening of Administration policy towards South Africa on the eve of meetings which State Department officials are due to have with Mr Gerhard de Kock, head of the South African central bank.

Asked yesterday whether the Reagan Administration would back financial support for South Africa by either the Federal Reserve Board or the Inter-

national Monetary Fund before the South African Government showed signs of movement towards meeting U.S. demands, the State Department official said the question could not be addressed until later this week, but was valid.

The uncertainty which still hangs over who precisely Dr de Kock will be seeing in Washington is indicative of the atmosphere surrounding his visit. The State Department has confirmed only that a senior official will meet with the central banker. The South African embassy in Washington said yesterday that it could shed no light on Mr de Kock's movements.

There is a growing feeling here that Mr de Kock's mission to the U.S., which is seen to have been aimed at trying to

secure some form of financial support for the South African Government, is proving far more difficult than the South African Government may have anticipated.

The State Department decision on the eve of Mr de Kock's arrival to emphasise the importance it attaches to the South African Government taking steps such as the release of Mr Mandela, which it is unwilling to take, is seen as a sign of the hard line officials are taking in the face of the South African Government's refusal to open up political dialogue in South Africa.

Just as bankers in New York are indicating that the political climate in Congress towards South Africa makes it difficult for them to provide financial support, it is argued that poli-

cal pressures will make it difficult for the Federal Reserve Board, under the chairmanship of Mr Paul Volcker, or the International Monetary Fund, to act either.

The Fed must answer to Congress for any decisions it takes, while the IMF must always take into account the impact of any decisions it takes on Congressional votes over U.S. funding of the institution. IMF support for South Africa at this juncture, which would amount to helping to bail South Africa out of an economic mess precipitated by political upheavals over apartheid, could divide the institution internally.

It could also provide yet another rallying point for Third World opposition to IMF policies which are perceived to be dictated by the industrial

countries. The Reagan Administration is now coming under heavy fire for the constructive engagement policy it has adopted towards South Africa, a policy which has already been overtaken by events in the financial markets.

A Newsweek magazine poll to be published today is indicative of mounting criticism of the white South African Government which has been fostered by the violent scenes Americans have been seeing nightly on television. Although a majority (62 per cent) of those polled by the Gallup organisation registered their approval of President Reagan's performance, 42 per cent favoured economic sanctions against South Africa, something the President opposes.

Oil Minister hopes for reappointment after Nigerian coup

BY PATTI WALDMER IN LAGOS

PROF TAM DAVID-WEST, Oil Minister under the ousted regime of General Abacha, is confident that he will be reappointed to the post when the new Nigerian Cabinet is announced, probably this week.

He said in an interview at the weekend that it called again to serve, he would.

However, it was understood in Lagos that no final decision has yet been taken on the matter and that at least one other candidate was being seriously considered.

Prof David-West is credited in Nigeria for having successfully negotiated an increase in Nigeria's crucial Opec production quota to 1.45m barrels per day (b/d) last autumn from 1.3m b/d previously (although Opec committees insist that this increase was only temporary and has since reverted to 1.3m) but his image within the organisation is as one of the less forceful of the ministers who gather periodically to determine Opec's policy.

His staunch opposition to the controversial countertrade policy of the ousted regime (some \$2bn in oil-for-goods swap deals were signed or agreed in principle before last Tuesday's coup) could also be a positive factor, Maj Gen Ibrahim Babangida, the new President, adamantly opposed such deals within the former Supreme Military Council on the grounds that they were costly and open to corruption, and he has pledged to review the policy.

Officials of oil companies operating in Nigeria are anxiously awaiting the appointment of a new oil minister to determine whether negotiations for a crucial increase in their allowed profits margin on the sale of Nigerian crude will be finalised. Talks on changing the complicated formula which would have, in effect, increased the margin by up to \$1.30 cents per barrel from \$2 per barrel presently were at an advanced stage just before the coup. The

change could have an important impact on Nigeria's production, in the short term, and especially on exploration and development activities which have been seriously neglected, company officials argue, because profit margins were too narrow to merit such investment.

Production has fallen to less than 1m b/d last month from an average 1.6m b/d in the first quarter of this year with oil companies in Nigeria reducing liftings sharply because the differential between Nigeria's official price and the spot market price at which they were forced to sell a large portion of their production meant that the companies were losing money.

The fall in production since the beginning of the second quarter has left Nigeria with insufficient foreign exchange resources to meet current trade payments which bankers say have been delayed by as much as 120 days recently.

There is evidence that this has led some international banks to reduce or cut already low confirming lines to the country for trade credits, putting a further squeeze on imports which have already fallen to critically low levels, leading to factory shutdowns and high unemployment.

Against this background, the incentive for Nigeria to seek a rescheduling of its medium- and long-term debt (put at \$12bn) and perhaps a further renegotiation of trade debt arrears (uninsured and insured arrears are put at between \$5bn and \$7bn) is strong.

Ugandan leaders to renew talks with rebels

PEACE TALKS between

Uganda's ruling Military Council and the National Resistance Army (NRA) guerrilla movement will resume in Kenya on Wednesday, it was announced yesterday, Reuter reports from Kampala.

Talks in Nairobi between delegations headed by the Military Council's deputy Col William Teke, and by Mr Yoweri Museveni, NRA leader and former defence minister, opened in Nairobi last Monday but were suspended the next day for both sides to have further consultations.

The military head of state, Lt-Gen Tito Okello, ended speculation about the future of the talks yesterday with a Press statement that they would resume on Wednesday.

The NRA fought against President Milton Obote, ousted by the army in July, and now wants a role in post-coup government.

Lt-Gen Okello also referred to the official U.S. economy adviser who fought for dictator Idi Amin before fleeing to Zaire and Sudan in 1979 have returned. He said all exiles may return but could go on trial if there was evidence they had committed crimes.

Regan confident

Mr Donald Regan, President Reagan's Chief of Staff, said in a magazine interview he expected the U.S. economy would improve through first half 1986, but he expressed concern about continued high interest rates, Reuter reports from Washington.

"My own feeling is that the economy will be good, continuing through the first six months of 1986," he said in an interview with U.S. News and World Report.

Singapore cuts taxes

The Singapore Government announced lowered taxes on gasoline, diesel and fuel oil, and widened the scope of a previously announced 30 per cent property tax rebate, in response to the continuing slowdown in the country's economy, according to the Sunday Times newspaper. AP-DP reports from Singapore.

Speaking Saturday in Parliament, Mr Goh Chok Tong, first deputy prime minister, revealed the Government would forego some \$840m (\$17m) because of the new tax changes.

Unrest in Bolivia

Bolivia's three-week-old central government put police on alert to contain growing labour unrest, and steps measures to fight high inflation, Reuter reports from La Paz. "Police forces have been put on a state of emergency," Sr Fernando Barthelemy, the Interior Minister, told reporters. "The government will not allow disorders."

The Labour Confederation may call an indefinite general strike against measures announced on Thursday, which included a 95 per cent currency devaluation.

Kenyan prices raised

The Kenyan Government citing increased production costs, has raised the price of bread by almost 16 per cent and the price of cornmeal by more than 20 per cent, AP reports from Nairobi.

Kuwait to mediate

Tunisia has accepted Kuwaiti proposals to hold talks on its dispute with Libya over the expulsion of thousands of Tunisian migrant workers, diplomats said yesterday, Reuter reports from Tunis. They said Libya had not officially accepted the proposal.

Phalange-Syria talks end as Berri urges reforms

LEBANESE CHRISTIAN politicians ended two days of talks with Syrian Vice-President Abdel Hakim Khaddem yesterday, after Mr Nabih Berri, the Shi'ite Muslim leader of Amal, urged reform of Lebanon's Christian-dominated political system, Agencies report from Beirut.

The Phalange delegation returned to Beirut after a second day of discussions in Damascus on the security situation, prospects for reconciliation between Lebanon's warring factions and the Muslim majority's demands for more say in running the country.

Mr Berri yesterday arrived in Damascus to discuss his proposals, made at a rally in the town of Baalbek on Saturday, the anniversary of the disappearance in Libya seven years ago of Imam Musa Sadr, late Shi'ite clerical leader. The rally was accompanied by a strike in Moslem areas and later by fighting in southern towns between Amal militiamen and followers of Hezbollah, the radical Party of God.

Mr Berri proposed the formation of a six-man Presidential Council made up of representatives of the country's six major religious sects, which would take over from the Maronite President Mr Amin Gemayel. Chairmanship of the new council would be rotated every year.

He also proposed a close relationship with neighbouring Syria through a string of political, security, military, educational and information pacts, and suggested the promulgation of a new election laws and enforcement of compulsory service in a restructured Lebanese army.

REINSURANCE

The Financial Times proposes to publish a survey on the above subject on Monday 9th September 1985.

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"When my boss got back from Los Angeles, something special happened."



"He said, 'Thank you.'"

Not for nothing is my boss known as 'Old razor mouth'. Two weeks ago he stuck his head round the corner and barked, "Dallas/Fort Worth. Chicago. San Francisco. Los Angeles. San Diego," like the headmistress reading the register. Since he travels a lot I should have known better than to ask, "What about them?" He handed me a list of dates. "I leave tomorrow." It was like being given The Times and told to solve the crossword in half an hour. Errors would be punished. The travel agent was very helpful. She sorted out an itinerary within 15 minutes; I felt a bit more confident when I handed him the tickets. "All your flights are listed and your seats reserved. You're on American Airlines all the way. Just show up at Gatwick tomorrow. Your flight's at 10:35."

"Wonderful," he said, exactly the way you compliment a waiter who's brought you hamburger when what you've ordered is steak. To be honest I'd never heard of American either, but I repeated what the travel agent told me. "They're one of the biggest airlines in the world. Over 100 destinations in North America. All your flights are at what should be convenient times for your meetings. They were booked on American Airlines computerised reservation system, SABRE. If you need to rearrange anything just phone American in the city you're in, and it will be done."

He looked at the 'American Airlines' on the ticket wallet and muttered, "Gatwick, indeed". So you'll understand why I wasn't exactly looking forward to his majesty's triumphal return this morning after a night on the plane. But surprise, surprise. He'd brought me a present. At least I think it was a present. "Thank you for the...ummm...thing, sir. How was the trip?" "Fine. We'll fly American again. Now if you don't mind, we have work to do." The old sharpness was still intact. *Mrs Ruth Harvey*

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Mexico to seek better debt payment conditions

BY OUR MEXICO CITY CORRESPONDENT

MEXICO, which three days ago signed a pact rescheduling half its \$86bn (\$86bn) debt, plans to continue pursuing negotiations to obtain better debt payment conditions," President Miguel de la Madrid said yesterday.

Mexico also will seek, "within prudent limits, to resume borrowing abroad," Sr de la Madrid said in his third annual State of the Nation report, televised nationwide yesterday.

The financial community must realise that "in order to pay, it is necessary to grow," he went on. But he stressed the Mexican view that the debt problem cannot be resolved "through confrontations or the repudiation of obligations."

Though carefully couched, the President's demand for new loans is seen as the latest evidence of a hardening of Mexico's negotiating posture, which has been more accommodating than that of the other big Latin American debtors.

Without a fresh credit flow — either on a voluntary basis or otherwise — Mexico cannot uphold its commitment to full and prompt interest payments, Sr Jesus Silva Herzog, Finance Minister, told foreign bankers.

at Thursday's signing of Mexico's 14-year, \$86.7bn debt restructuring agreement.

Mexican officials say they may ask for upwards of \$20m in new commercial loans in 1986.

Mexico's need for additional credit stems directly from the decline in price and volume of its oil exports this year. Mexico's petroleum income, accounting for two-thirds of its total foreign-exchange earnings, will fall some \$1.6bn short of projections in 1985, Sr de la Madrid acknowledged.

Mexico's foreign reserves stood at \$5.6bn yesterday, the President reported, down from more than \$8bn a year ago.

Disappointing exporters, he refrained from voicing support for Mexico's entry into the General Agreement on Tariffs and Trade. His Commerce Minister recently argued publicly in favour of GATT membership, which was debated and then rejected by Mexico's previous administration in 1980.

Instead, Sr de la Madrid declared that while his administration opposes protection for inefficient local manufacturers who "punished the consumer with high prices and low quality," it intends to maintain Mexico's traditional economic strategy of import substitution.

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WORLD TRADE NEWS

Move to smooth path for Gatt round starts today

BY WILLIAM DUFFLOR

HEADS of mission from the world's principal trading nations embark here today on a week of intensive consultations aimed at smoothing the way for a high-level meeting under the General Agreement on Tariffs and Trade (GATT) to launch a new round of international trade negotiations.

The most likely date for the opening of the special session of the GATT contracting parties demanded by the U.S. is September 30.

But several of the U.S.'s main supporters, including the European Economic Community and Japan, would like to reach a preliminary understanding with a small group of developing countries led by Brazil and India. This group blocked the convening of a preparatory meeting in the GATT council in July.

Last week the U.S. secured majority backing for its manoeuvre to break the deadlock, when more than 80 of GATT's 90 members concurred with its call for a special session of contracting parties to decide on the subject-matter and modalities of a new GATT round of trade talks.

Mr Felipe Jaramillo, the Colombian chairman of the contracting parties, is empowered to call the session at 21 days' notice. If the September 30 date favoured in the GATT Secre-

tarist is to be met, the invitations will have to go out a week from today.

Over the next few days, Mr Kazuo Chiba, Japanese chairman of the GATT Council, and Mr Tran Van-Thinh, the EEC Ambassador, will try in informal discussions to come to terms with the Brazilians and Indians over the agenda for the special session. In particular, they will tackle the vexed question of how trade in services is to be handled.

The developing countries are not against new negotiations to improve trade in goods but a hard core aligned with Brazil and India has consistently opposed U.S. insistence that services should be included in the new round and that rules for trade in services must be elaborated under GATT auspices.

U.S. officials hope that the Brazilians are now prepared to revise the "twin-track" proposal put forward by Sr Olavo Setubal, Brazil's Foreign Minister, at an informal meeting in Stockholm in June.

He then suggested that services and goods could be dealt with in separate but parallel negotiations under the aegis of GATT.

Sr Setubal, U.S. officials believe, "got ahead of his bureaucrats" with that proposal. Subsequently, the GATT council meeting in July was

suspended in disarray after the expected compromise over services was torpedoed by the Brazilians.

It is now being suggested that the Council could be reconvened some time this month before the special session of contracting parties to "seal" the unified approach to new trade talks which, it is hoped, will emerge from this week's informal consultations.

The EEC and Japan would prefer to maintain the GATT tradition of moving by consensus rather than through majority decision.

Sr Paulo Nogueira Batista, the Brazilian Ambassador, says his country is ready to "explore" the possibility of reconvening the GATT council and will have concrete proposals to offer in this week's informal talks.

The position now is that the GATT members are once more shuffling untidily towards the start next year of negotiations which could revitalise the world's multilateral trading system.

By its unprecedented action in calling for a special session of contracting parties, the U.S. has achieved a double purpose: it has set the new round bandwagon moving again and has probably ensured that the new round will take on board trade in services.

Japan's sales of electronic goods to China soar

By Carla Rapoport in Tokyo

JAPAN'S sales of electronic appliances to China continue to soar. The China boom, however, is not expected to last much longer.

According to Japan's Electronic Industries Association, exports of colour television sets from Japan jumped 94 per cent in July over the same month in 1984 to 888,000 units. This is an all-time monthly high, outstripping the previous peak in April of 832,000 units.

The growth was mainly due to continuing demand from China, whose orders accounted for nearly 50 per cent of the total. China's shipments increased more than sevenfold in the month to 423,000 units.

Many industry executives believe, however, that China's purchases of electronic goods will tail off towards the end of this year as foreign currency becomes increasingly scarce.

The industry association said that Japan's exports of videotape recorders jumped 24 per cent in July to 2,372 units, largely because of increased U.S. demand.

VTR shipments to the EEC, however, dipped by 6 per cent to 251,000 units.

Tokyo starts 'high-tech export' check

THE JAPANESE Government is investigating a trading company over alleged export of an electronic product to the Soviet Union, officials of the Ministry of International Trade and Industry (MITI) said, AP reports from Tokyo.

The announcement came shortly after another trading company was penalised for having illegally sent a high-technology device to Hungary.

The Ministry officials said they were investigating whether the Tokyo-based trading company had exported electronic programme equipment used for super-precision processing such as in metal moulds.

Volvo launches SKr 1bn truck range overhaul

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO OF Sweden yesterday announced an almost complete overhaul of its truck range, including new cabs, engines and chassis frames developed over seven years at the cost of SKr 1bn (280m).

The new ranges are being introduced simultaneously throughout Western European markets today in the biggest launch programme Volvo has ever attempted.

They are identified by the prefix FL, the L indicating a major facelift of the new cabs—their low entry and floor levels.

The newcomers completely replace the F6 lightweight and F7 medium-weight Volvo vehicles while also enlarging the group's representation at the heavy end of the market.

Eventually, some of them will be offered by Volvo White, the group's subsidiary in the U.S.

The FL6 models with many variants will cover the 12-26 tonnes-gross-weight sector and, like their predecessors—which accounted for about 7,000 of Volvo's worldwide sales of 40,800 trucks last year—be built at Ghent, Belgium.

For the first time, Volvo will take its lower-weight vehicles into the UK market where the FL4 will compete in the high-volume, 16-tonne sector.

The FL7/FL10 model range completely replaces the old F7 vehicles but Volvo will keep the existing FL10 and FL12 heavy trucks in production.

The FL7/FL10 vehicles will be built in Gothenburg, Sweden, and at Irvine in Scotland.

Volvo has developed two distinct new cabs with no common panels, one for the FL6 range and the other (available in two versions) for the FL7/FL10 vehicles.

The group says that to compete in the urban distribution part of the European market, the FL6 needed to be light and cheap and would have suffered if it had had a cab similar to the FL7/10 range which is for regional distribution and construction work.

The FL6 cab replaces the "Club of Four" cab developed jointly in the early 1970s with Renault's truck division, Magirus, now part of Iveco, and DAF of Holland.

Volvo maintains it is important for the company to have its own, unique cab and that new technology enables the cab to be produced relatively competitively.

The Swedish group would not be prepared to sell the cab to a rival company even though that would enable it to share the cost.

Air India invites bids for A-310 finance

By R. C. Murthy in Bombay

AIR INDIA, the country's national carrier, has invited bids from 50 international banks for syndicated loans and lease finance for \$225m to help finance the acquisition of six Airbus A-310s over the next two years.

The remaining \$225m of the total cost of \$443m will come from the British, French and West German export credit agencies.

This is the first time India has considered leasing finance on commercial aircraft. Although Air India has not specified the number of aircraft to be leased, Grindlays Bank and Standard and Chartered have informally offered leasing facilities for two aircraft.

S. G. Warburg, the British merchant banker, will advise the airline on leasing offers.

The Indian Government has reservations about aircraft leasing because the ownership rests with the lessor. The two British banks have offered leasing through Irish aircraft finance organisations.

The \$225m syndicated loan comprises a Euro-currency tax-spared loan of \$175m and domestic yen equivalent of \$50m. The State Bank of India, adviser to Air India for the loan syndication, will receive offers up to September 15.

Air India is to receive the first A-310 in mid-1986.

Finns continue forest exports to S. Africa

By Olli Virtanen in Helsinki

FINLAND'S forest industry is to continue exporting to South Africa despite the plans by Finland's Government to cut relations on all possible levels.

Forest industry exports account for half of Finland's total exports to South Africa which rose to FM 550m (\$66m) last year.

Industry leaders, meeting Mr Jernin Laine, the Minister for Foreign Affairs, on the issue, emphasised that companies would not be able to find alternative markets for their exports, which mainly consist of magazine paper.

Finland, say the industry representatives, should not embark on unilateral boycotts towards South Africa because this would harm the interests of the Finnish industry.

Finland is preparing laws that would prohibit investments, leasing and lending to South Africa. Sales of patents, licences and nuclear and computer technology would be banned, together with public procurement from South Africa.

At the same time, the Government is planning further restrictions to sport, cultural and scientific exchange.

Amendment could imperil California unitary tax Bill

BY OUR SACRAMENTO CORRESPONDENT

ATTEMPTS to reform California's unitary tax may be jeopardised by a last-minute amendment which would forbid some companies making new investments in South Africa.

The Bill, which passed what was thought to be its toughest test in the State assembly's finance committee last week, was amended by Democratic members of a second Assembly committee protesting against apartheid.

Last week's key amendment which was conciliatory to U.S. multinationals extended the option to be taxed only on their California revenues to those U.S. companies doing more than 80 per cent of their business abroad.

The new amendment would require corporations which choose not to be taxed on their combined income to pledge that they will make no new investments in South Africa.

The committee voted to defer a final vote on the amended Bill until September 3 when it considers all pending financial legislation.

Referral of the Bill in its present form would present a problem for California's Governor, Mr George Deukmejian, who has lobbied hard for unitary tax reform but resisted previous attempts to involve the state in the South Africa debate.

World Economic Indicators

	RETAIL PRICES (1980 = 100)			
	July 85	June 85	May 85	July 84
W. Germany	121.1	121.3	121.2	116.4
France	158.9	158.3	157.7	149.8
Italy	191.9	190.3	189.4	174.4
Netherlands	122.2	122.4	122.5	119.3
Belgium	141.3	140.5	140.5	134.5
UK	102.4	102.7	102.4	133.3
U.S.	130.8	130.6	130.1	126.3
Japan	115.0	114.3	114.5	111.9

Source: Eurostat

SHIPPING REPORT

Market shows hopeful signs

BY JOAN GRAY

SOME SIGNS of optimism and improved activity have become apparent in the shipping market, as the summer holiday season draws to an end.

The momentum of last week has continued, particularly from the tanker trade in the Arabian Gulf, where several units have been chartered for East and West destinations.

More good news comes from reports that the comp in Nigeria does not seem to have had any major effect on the market.

"Indeed, if anything, more cargoes have been available, in several instances on a 'private basis'," says Galbraith's tanker market report.

"Shell London has finally covered a cargo of 78,000 metric tons, loading Nigeria to UK

continent or Mediterranean, at Worldscale 54, while Agip — on a similar-sized cargo from Djeno to Italy — have yet to conclude," it says.

In the Mediterranean, business has been slow to develop throughout the week, although rates for loadings in the Caribbean Sea have improved.

The clean oil market has been confined almost exclusively to the Caribbean and Far East, with extremely limited business concluded from the other main loading areas.

Indian ship-breakers have been active this week and appear to have covered their most immediate requirements, although Taiwan breakers have been notably quiet.

On the bulk-carrier side, the

freight market has been notably slower and has done little to fulfil last week's promise.

With the pressure now off for August, demand for grain loaders in the north and south Atlantic looks like remaining fairly slack in the short run.

However, the earlier pressure in the grain trade for end-August tonnage has had a knock-on effect in the coal trades, with several fixtures concluded at slightly improved levels.

The ore market has been exceptionally slack this week with few fixtures and a lack of early inquiry. There is, however, a fair volume of forward inquiry on the market, with charterers aiming to take full advantage of current rates.



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UK NEWS

Trades Union Congress at Blackpool

Divisions on left and right threaten TUC

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE ANNUAL conference of the Trades Union Congress (TUC) opens in Blackpool, north-west England, today facing two widening divisions on its left and right wings.

The suspension, followed by the expulsion, of the Amalgamated Union of Engineering Workers (AUEW) from the TUC is now seen by many as increasingly likely.

The AUEW has already been found guilty by the TUC's general council of accepting government money towards the cost of holding ballots - contrary to the policy of the TUC.

Mr Eric Hammond, general secretary of the electricians' union the EETPU, yesterday said he was losing hope of a "TUC fudge." He pledged that his delegation would walk out of the Congress Hall if the AUEW was suspended, and promised to ballot his 380,000 members on leaving the TUC if the engineers were expelled.

At the same time, Mr Arthur Scargill, the president of the National Union of Mineworkers (NUM), insisted that a composite motion, calling on a future Labour government to reinstate sacked miners and reimburse the NUM and other unions "with all monies confiscated as a result of fines, sequestrations and receivership," would not be withdrawn, as TUC leaders had wished.

The motion is seen as extremely damaging by Mr Neil Kinnock, the Labour leader, and Mr Norman Willis, the TUC general secretary. It

will now be opposed by the general council.

The electricians' unambiguous support for the AUEW raises the stakes. It will also raise the temperature of a debate which Mr Willis had hoped to cool through talks with the engineers' executive on Saturday.

Their refusal to make a final response to the general council's demand that they immediately confirm their willingness to cease taking state aid for ballots has angered many of the left and centre of the council. The executive has delayed a response until it meets again tomorrow evening.

Mr Ron Todd, general secretary of the left-of-centre Transport and General Workers' Union, said after a meeting of his union delegation that he would press for a re-arrangement of Congress business. This would be so that he did not have to move a resolution reaffirming the TUC total opposition to "unjust, anti-democratic and anti-union legislation" while, as he said, "the second largest affiliate has not indicated whether or not it will conform."

The AUEW will not assist in calming left-wing hostility by its decision yesterday to vote again Mr Todd's motion.

Mr David Barnett, general secretary of the General Municipal and Boilermakers' Union, said that "the responsibility of affiliates is to maintain the unity and the authority of the TUC - that responsibility

now very clearly lies with the engineers."

Within the AUEW executive, attitudes seem to be hardening. The 10 voting members are lining up 73 against any compromise which might satisfy the TUC. The one favoured by the three "dissidents" - Mr Jimmy Airle, Mr George Arnold and Mr Gerry Russell - is a recall of the union's policy-making committee with an executive recommendation to observe the TUC injunction.

The majority continues to insist that the decision to take the money, underpinned in January by a 121 membership vote, remains sacrosanct.

They were supported yesterday by Mr Bill Jordan, the AUEW's Birmingham divisional organiser, who is a leading contender for the presidency in elections which begin next week.

Mr Jordan said that the executive meeting tomorrow had to stick to the members' decision, to take state aid.

The NUM's resolution is a call for the Congress to be "mindful of its previous decisions to give total support to the NUM."

Mr Scargill, scheduled to speak tomorrow morning, will launch an impassioned plea for reinstatement of sacked miners and reimbursement, stressing the movement's failure to deliver supportive action to the miners during their 12 months' strike which ended last March.

Treasury achieves switch in borrowing

By Philip Stephens

THE TREASURY has succeeded in engineering a substantial switch in borrowing by local authorities away from commercial banks to central government.

The shift has eased the problems faced by the Bank of England in meeting huge cash shortages in the London money markets and has reduced the size of the Bank's controversial bill mountain.

Officials estimate that the local authorities transferred about £1bn of their borrowing from the banks to the government-run Public Works Loan Board (PWLB) in the first weeks of August.

The move followed a Treasury announcement in late July that it was improving the terms on variable rate loans available to local authorities, but it largely reflected earlier changes in the board's fixed-rate borrowing terms.

The Government has been trying for several years to encourage local authorities to borrow more from the PWLB in preference to bank loans, and has consulted closely with the authorities in adapting the board's lending practices.


The reasoning is that central government can raise cheaper finance than that available commercially to local authorities, which helps to hold down the overall level of public spending.

At the same time the switch reduces the amount of cash that the Bank of England has to supply to the banking system through the purchase of short-term commercial bills.

The bill mountain comprises the commercial bills and other financial instruments that the Bank has been forced to buy to provide cash to the banking system as an offset to sales of gilt-edged stock. These sales, over and above the amount needed to finance the Government's borrowing, have been used to dampen the growth of the money supply.

By mid-July the bill mountain had risen to more than £17bn, and because most of the bills have short-term maturities, simply keeping the amount constant involved buying up to £1bn worth each day.

The Bank has faced strong criticism that it had become a lender of first resort and that its operations were seriously distorting the structure of interest rates.



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Aslef votes for political fund

BY DAVID BRINDLE

THE TRAIN drivers' union, Aslef, announced yesterday that its members had voted to retain the union's political fund by a majority of 82.75 per cent - the highest of any union so far.

The turnout of 85 per cent was also the best yet among the 13 unions which have balloted on their political funds under the terms of the Government's Trade Union Act. All have voted for retention.

Mr Ray Buckton, Aslef's general secretary, was at pains to point out that the union had "made no bones"

about its political fund being for the Labour Party. This followed criticism by ministers that unions were disguising the true use of political funds.

Mr Buckton also pointed out that the ballot had not been conducted at the workplace, but had been either fully or semi-postal, with all voting slips returned by post.

Of a total of 24,211 ballot papers issued to working and retired Aslef members, 20,672 were returned. Of these, 19,110 were in favour and 1,491 were against, with 71 invalid.

Mr John Edmonds has been elected general secretary of the General, Municipal and Boilermakers' Union (GMBU) - one of Britain's largest unions - with a landslide majority.

Final voting figures announced yesterday put him over 4m votes in front of his nearest rival, Mr Tom Burlison. He achieved 411,875 votes, 58.4 per cent of the total cast.

Mr Edmonds, who is Oxford-educated, is at present the union's national officer for the public services.

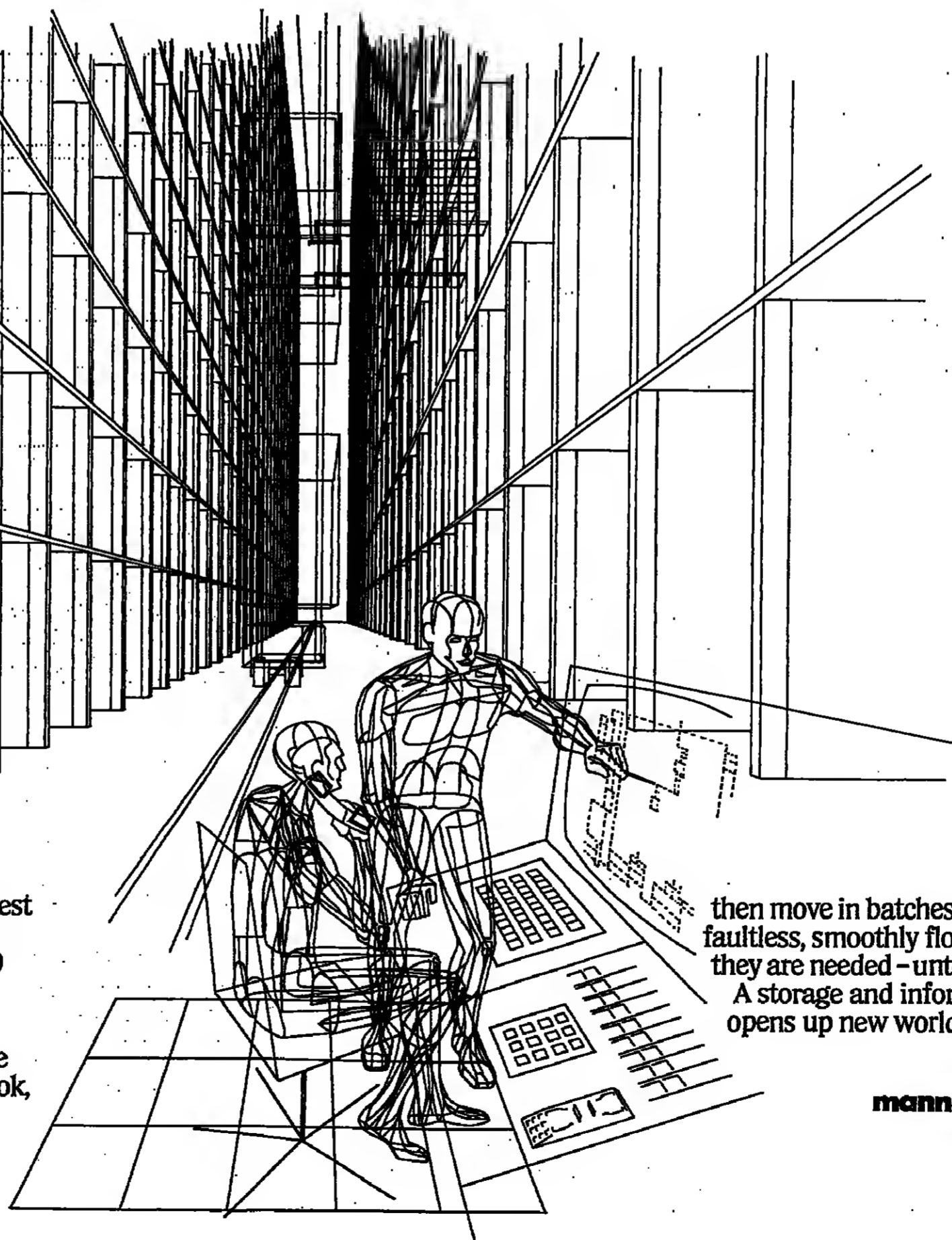
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It takes a computer to remember it all

Mark Twain
18th floor, right

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was North Sea oil, but another was tight monetary policy. Although in practice monetary growth during 1979-85 turned out to be as rapid as it was from 1973 to 1978, Mr Rose says expectations of tighter policies may have contributed to the strength of sterling.

September 2 1985

UK NEWS

British arm of Mentor in liquidation

BY JOHN MOORE, CITY CORRESPONDENT

THE BRITISH operations of Mentor Insurance, the Bermuda-based insurance arm of Murphy Oil Corporation of the U.S., are in voluntary liquidation. Mr Christopher Morris of Touche Ross, the chartered accountants, has been appointed liquidator of the British company - Mentor Insurance Company (UK) - which has estimated liabilities of £15.6m.

The move follows the discovery of a series of unusual insurance arrangements in the Mentor operations which were contrary to requirements imposed by the Department of Trade and Industry.

Mr Morris told creditors earlier this month that Mentor has assets of £14.4m, leaving a creditors' deficiency of £2.2m. Following the decision to wind up the company at the beginning of August by the British directors numerous British insurance brokers and insurance specialists face some delay in securing payment of insurance claims.

According to the liquidator's estimated statement of affairs, among those groups with which insurance claims have been agreed but not yet paid as at June 30 are: Richard Longstaff (Ins), which is waiting for payment of £388,000; Sedgwick Forbes Bland Payne, £251,000; C.T. Bowring & Co. (Ins), £337,000; and Leslie & Godwin, £129,000.

Mentor is one of the many casualties in the big shake-out in Bermuda of the "captive" insurance movement. In Bermuda numerous insurance companies owned by multinational companies, largely based in the U.S., have curbed their insurance underwriting activities after a series of disastrous results.

The UK company decided to cease underwriting towards the end of 1983 following an adverse claims experience. During 1983 the company laid off its insurance liabilities with Mentor Insurance in Bermuda, which controlled the Mentor company in the UK; Heddington In-

urance of Bermuda; Metropolitan Reinsurance of the U.S.; and American Reinsurance of the U.S.

Subsequently the Mentor Bermuda company entered into other agreements with Heddington Insurance, Metropolitan Reinsurance and American Reinsurance. The agreements contained, according to the liquidator, onerous terms which if enforceable will mean that the Mentor company in Bermuda will be responsible for the full amount of its British subsidiary's liabilities, contrary to requirements imposed by the Department of Trade and Industry, the ultimate regulatory body of the British insurance community.

The liquidator has discovered that the arrangements were never disclosed to the full board of the company or to its managers or to the Department of Trade and Industry. The creditors were told by Mr Morris that the arrangements were entered into by an individual "purporting to act on behalf of the company and signing himself as a director of the company."

The Bermudan authorities this June took steps to put the Mentor operations based in Bermuda into compulsory liquidation when the unusual arrangements were discovered. The action by the Bermudan authorities led to the liquidation of the British operations.

The Department of Trade and Industry, according to the British liquidator, was threatening to petition for a compulsory winding up of the company if a voluntary liquidation was not arranged, but agreed not to do so after Touche Ross & Co were instructed.

Mr Morris is now trying to establish fully the audit trail of the business accepted by Mentor and laid off by the company with reinsurers. He says that while reflecting the Government's financial and strategic interest in the electricity industry, they should also recognise the need for adequate consultation with other bodies and the harmful effects of detailed and last-minute Treasury interference with the industry's commercial running.

After praising the electricity industry's avoidance of power cuts during the coal strike, Mr Hatch urges the industry to stick to its policy of meeting short-term costs by borrowing and trying to repay the long-term costs of the strike through lower coal prices.

This had happened to date. Rises in electricity prices, of about 4 per cent this year, were staying below the rate of inflation. The council wanted this policy maintained.

Treasury policy over electricity attacked

BY MAURICE SAMUELSON

TREASURY interference in the commercial operations of the electricity industry reduces the industry's efficiency, says the Electricity Consumers' Council in its annual report published today.

Mr John Hatch, the council's chairman, issued the warning because he believes the Treasury is likely to revive its proposals about the relationship between the Government and nationalised industries.

The proposals, which were tabled last December, were withdrawn after meeting a hostile reception. Mr Hatch adds that they appeared to give the Treasury new powers to force up prices and extract the surplus.

Anticipating further proposals,

BBC advertising urged

BY RAYMOND SNOODY

THE BBC licence fee should be abolished and replaced by advertising and sponsorship, the Adam Smith Institute argues in its submission to the Peacock Committee published today.

The right-wing institute, which describes itself as a market economics "think tank", says in its evidence broadcasting is not a sacred cow, and the BBC should be put on the same footing as commercial television, newspapers and magazines.

The Peacock Committee was set up in March by Mr Leon Brittan, the Home Secretary, to look at the feasibility of alternatives to the licence fee, now £58, to finance the BBC.

Dr Madsen Pirie, president of the institute, said the replacement of the licence fee by sponsorship and advertising would be fairer and lead to greater choice for the public. "It would be a vast improvement on the outdated and over-regulated broadcasting duopoly that exists at the moment," Dr Pirie said.

THE BREAKFAST TIME TOAST

At 9am each day the board members of James Burrough may be found making their toast.

That's the time when they sample and 'nose' the previous day's distillation of Beefeater London Dry.

They like their toast to be clear, brilliant and subtly balanced. With a dry softness that doesn't overwhelm the palate.

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Which is undoubtedly what prompts them to raise their glasses to the memory of their founder Mr. James Burrough.

A man who, just like them, was inordinately fussy about his dry toast.



THE GIN OF ENGLAND

Al-Fayeds plan to revamp Aviemore

By Arthur Sandles

THE AVIEMORE Centre, the purpose-built Scottish island resort which originated as the dream of Sir Hugh Fraser, is about to be given a facelift by its new owners, the Al-Fayed brothers.

Work has begun to upgrade the buildings and improve the service.

As a pre-requisite to completion of a full-scale programme, however, it appears the centre's new management will be seeking a slice of any additional business that might be drummed up for local hotels.

A letter has been sent to some local hoteliers, which include such chains as Trusthouse Forte, Ladbroke and Thistle (Scottish and Newcastle Breweries), suggesting that, unless the centre is a financial success, it might have to close.

The centre has a large conference facility, theatre, cinema, ice-rink, a swimming-pool complex and a wide range of sporting and amusement facilities.

Aviemore has not been a success story so far. It is six miles by a difficult road to the main ski area and its buildings, constructed in the boldness of the box-style architecture are lacking in style.

Legalising of Sunday trading in Texas boosts campaigners

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

BRITAIN'S retailers and consumer groups in favour of Sunday trading are hoping that the introduction of such trading yesterday in the U.S. state of Texas will boost the chances of seven-day a week shopping in the UK.

The British Government still has to formally announce that it plans to allow Sunday trading in the UK to support of such a move, however, are anxious that the pressure for reform should not run out of steam.

The repeal of the so-called "Blue Laws" in Texas yesterday was the latest move by U.S. states to allow Sunday trading in areas where

there had previously been strong religious objections.

Included in the legislation allowing Sunday trading in Texas was a financial estimate from the state's comptroller suggesting that seven-day trading will add about an extra 0.5 per cent to total consumer spending in the state and some 3 per cent to those retail sectors most likely to open on a Sunday. This estimate has been incorporated into the state budget and is therefore likely to be on the conservative side.

In the UK, a commitment to scrapping all controls on shop opening hours is likely to be fol-

lowed by a debate either later this year or early in 1988.

The only drawback to the legislation coming into force is concern that some shop workers may be forced to work on a Sunday even if they have religious objections. Some employment safeguards may be included in the legislation enabling Sunday trading to overcome these fears.

Consumer spending on food to eat at home rose by 5 per cent in the second quarter of this year in comparison with the first three months of 1985, according to results from the National Food Survey.

Thatcher considers Cabinet options

BY IVOR OWEN

Mrs Margaret Thatcher, the Prime Minister, consulted senior colleagues during the week-end about the Cabinet reshuffle expected to be announced later today and came under increasing pressure to reconsider her intention to appoint Mr Norman Tebbit, the Trade and Industry Secretary, as chairman of the Conservative Party.

Senior figures in the party have made known their concern that the announcement of Mrs Thatcher's latest move by U.S. states to allow Sunday trading in areas where

erating in double harness, is unlikely to produce rapid results in reversing the decline in support registered in recent public opinion polls.

Mr Peter Walker, the Energy Secretary, who is frequently a lone voice in the Cabinet advocating policy adjustments designed to give the Government a more caring and concerned image gave a veiled hint of his anxieties about the implications of an increasingly dominant Thatcher-Tebbit axis in a speech at the Young Conservatives' National

Summer School in Manchester. He cloaked his call for smoothing away some of the rougher edges of current policies by stressing that the Government's political opponents have succeeded in depicting it as being mean.

Mr Walker, who carefully avoided any direct reference to Mrs Thatcher or Mr Tebbit, highlighted the fact that every recent survey of public opinion has shown that the biggest swing against the Conservative Party has taken place among voters who are under 25.

Role in production of Hawkeye aircraft doubted by MoD

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

SUGGESTIONS that Britain might buy or co-produce the U.S. Hawkeye early warning aircraft were greeted with some scepticism at the Ministry of Defence (MoD) yesterday.

It was reported from Washington that the U.S. had offered Britain a co-production deal on the aircraft following concern over the Nimrod programme.

The Nimrod aircraft was due to enter service with the RAF 2½ years ago, but despite £1bn spent on the programme, it is still plagued with problems. There has been speculation that the project might be abandoned.

Mr John Lehman, U.S. Navy Secretary, spoke in an interview of his country's fears about this possible weak link in Nato's defences. He offered the co-production deal on the Hawkeye E2C now in service with the U.S. Navy.

He said other options were available. The first was that Nato could take more of the U.S. A-7s early warning aircraft, already in service in Europe. But he added: "It is also possible to look at some co-production of the Navy E2C, which is already in service around the world."

The U.S. was looking to develop a land-based version of the aircraft, with a greater range than those

now flying from its aircraft carriers. In addition, the Hawkeye's radar and computer technology was being improved in a 54m programme which would make it "in some ways" better than the A-7s aircraft.

There is no longer any attempt in the MoD to disguise the unease at Nimrod's problems, especially the radar, which look increasingly insoluble - at least in the timescale set by Mr Peter Levene, the new chief of defence procurement.

It now looks unlikely that GEC Avionics will be able to establish the sort of operating capability for the advanced radar system which the RAF wants before Mr Levene's deadline of the end of this month.

Mr Levene is believed to have told Lord Weinstock, GEC managing director, that he wants to negotiate a fixed price contract for the remainder of the aircraft's development - which could take another two years - by the end of October.

While abandonment of the project still looks unlikely for political reasons, ministers may well be considering the possibility of buying or leasing interim aircraft from the U.S. It is still felt that the most suitable candidate would be the A-7s aircraft which is in service with Nato in Europe.

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 Lufthansa

UK NEWS

Guy de Jonquieres on the launch of a trans-European venture

Gambling on the 'custom' chip

EUROPEAN Silicon Structures (ESS), the microchip venture to be announced this week, is a bold bid to create a novel type of semiconductor business.

It involves a calculated gamble that by using the most advanced production technology available, ESS can gain a world lead in an emerging market which appears set for high rates of growth in the next few years.

The company is being deliberately organised on a trans-European basis, with its operations and ownership spread across several countries, to try to avoid what its founders view as one of the principal problems afflicting previous European microchip projects.

Many of these have developed narrowly as national ventures, often heavily dependent on government support and lacking the scale and resources to be profitable and to compete outside their home markets.

As a consequence, the European industry has been fragmented into too many small units, at the mercy of large U.S. and Japanese companies, many of which have established operations in Europe. In the past decade, European semiconductor makers' share of world markets has declined from nearly 30 per cent to less than 10 per cent.

The inspiration behind ESS comes from Mr Jean Luc Grand-Clement, until recently a European vice-president of Motorola of the

U.S. who was formerly a leading light in the creation of Eurotech, a French semiconductor company.

He enlisted Mr Robert Helges, an American who had recently retired as head of the European operations of National Semiconductor. The two men then approached Mr Robb Wilnot, chairman of Britain's ICL computer company, who had previously headed the UK subsidiary of Texas Instruments, the large U.S. electronics manufacturer.

Mr Wilnot convinced the others that ESS should seek to create a wholly new market by specialising in 'custom' components made in very low volumes. That offered better prospects than other recent European initiatives such as the joint attempt by Philips of the Netherlands and Siemens of West Germany to catch up with Japan's overwhelming lead in mass-produced 'standard' memory chips.

Unlike 'standard' microchips, which are turned out by the million to a fixed design, custom components are tailored to the precise requirements of individual customers. Though their annual sales can be expensive, they offer greater design flexibility and efficiency, and the world market for them is growing rapidly. It is estimated to have increased by more than 50 per cent in \$1.5m last year.

The custom chip industry is largely dominated by U.S. companies. However, most are interested

CUSTOM MICROCHIPS (World market)	
Year	Value
1983	1.08
1984	1.53
1985*	2.15
1986*	2.91
1987*	3.29
1988*	4.27
1989*	5.45

Source: Dataquest

*Forecast

only in large orders. They have been reluctant to supply European electronics equipment manufacturers, few of which make products in annual quantities of much more than 1,000 units.

This mismatch between U.S. supply and European demand convinced Mr Wilnot that there was a place for a company specialising in making custom chips in very low volumes of only a few hundred at a time.

"If I am right, what has been Europe's weakness will become its strength," he says.

Such a business would have faced prohibitively high costs until recently. But ESS is counting on recent technological advances to enable it to make economically viable custom chips from many different circuit designs, instead of following the U.S. practice of turning out large batches of chips from a small number of designs.

It will lay out the circuits for its chips using a technique known as a

'silicon compiler' - a powerful computer software system which dramatically reduces design times. The silicon compilers will be supplied by Lattice Logic, a small Edinburgh-based company, and from the U.S.

The circuit will be etched onto silicon by a process called electron beam direct-write, which dispenses with the photographic 'masks' used in conventional chip-making techniques. ESS has ordered a brand-new electron beam machine from Perkin-Elmer of the U.S., which is said to operate up to 15 times faster than rival equipment.

ESS aims to produce custom chips in only two weeks, instead of the 10-12 weeks taken today, for as little as \$10,000 compared with the \$50,000-\$100,000 charged by competitors. It expects costs to continue to fall, opening up a market worth more than \$1bn by 1991, of which ESS aims to capture at least 20 per cent.

Because ESS plans to use design and production techniques which are still commercially unproven, it faces risks. Mr Adrian Tarr of Dataquest, a market research company which monitors semiconductor markets, believes ESS's prospects will depend critically on being able to meet its own targets of producing reliable chips on time and providing customers with extensive support and training.

But ESS still has its chosen market to itself, and its founders appear confident.

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Child group attacks social security plans

BY ERIC SHORT

A BITTER attack on the Government's proposed reforms of the social security system is made today by the Child Poverty Action Group (CPAG) - the first organisation to submit its response to the proposals.

The group accuses the Government of taking the social security system in a fundamentally wrong direction and entitles its submission "Burying Beveridge". Beveridge was the architect of the post-war welfare state.

Proposals to reform the social security system were presented in June by Mr Norman Fowler, the Social Services Secretary.

One proposal in the reform package was the ending of the state earnings-related pension scheme (SERPS) and its replacement by personal pensions and compulsory company pension schemes. Discussion to date has tended to concentrate on that particular proposal.

However, the package announced other far-reaching reforms to the short-term benefit system and it is on those proposals that CPAG concentrates most of its attention.

The first proposal considered is the introduction of a new social fund to replace the present supplementary benefit system. Its aim, according to Mr Fowler, was to direct help to those most in need.

The proposal is attacked as representing an attempt by stealth to cut the weekly living standards of the very poorest in the community. It is claimed that instead of extra payments being made as of right to those in exceptional situations, the social fund would operate only on a discretionary, recoverable loan basis, forcing claimants below poverty levels.

The second chief reform in the proposals was the introduction of the family credit scheme to replace the present system of a variety of benefits to families, including family income supplement and child benefit.

The document lists five groups whose real needs will be downgraded by the proposed family credit:

- Those who do not claim support for which they are eligible.
- Families on low incomes who do not qualify for means-tested support.
- Mothers and children in families where income is not shared fairly.
- Immigrant families whose right to remain in Britain may be conditional on not having 'recourse to public funds'.
- Families who will get less from family credit than from the present family income supplement.

New controls urged on dumping at sea

BY LISA WOOD

A CALL for new international agreements on dumping of shipwrecks at sea, and improved controls to prevent and deal with losses overboard, is made today by Keep Britain Tidy, an independent non-profit-making organisation.

The recommendation comes in a research document compiled jointly by the group and by the Advisory Committee on Pollution of the Sea from reports of findings of hazardous materials submitted by coastal and metropolitan councils in England and Wales and the Ministry of Defence.

The aim of the report, the latest stage in the group's 12-year marine

litter research programme, is to provide the evidence to show the need for new international agreements on marine litter.

The report shows the potential dangers to beach users finding washed up on shores containers of toxic chemicals, pharmaceuticals, compressed gases, inflammable liquids, corrosives and munitions.

The survey results showed that of 245 suspected hazardous packages recovered from beaches, 131 were named in the International Maritime Dangerous Goods Code.

The group, in its report, urges uniform comprehensive regulations, similar to those now controlling marine pollution.

Health care company plans to rival NHS

By Lisa Wood

AMERICAN MEDICAL International (AMI), the private health care company, is set to launch by 1987 what it calls the first fully comprehensive health care service aimed at rivaling the National Health Service (NHS).

Over the last 18 months, AMI, with about 1,200 beds in the UK, has acquired health interests including an alcohol unit, a private psychiatric unit, acute screening facilities and most recently the Harrow Health Care Centre, Britain's only private general practitioners unit. The group is currently proposing to build the country's first private casualty unit in Windsor.

Mr Gene Burleson, chief executive officer of AMI, said the pivot of the comprehensive private health care service was the family doctor's service which at present AMI covers by annual subscription and not insurance.

AMI is having talks with Mutual of Omaha, the American private insurance company and with a UK subsidiary on which programmes they could work together.

Port Ramsgate to have £5m development

Financial Times Reporter

FORT RAMSGATE in Kent, on the south-east coast of England is to be developed into an all-weather port in a £5m investment by Sally Holdings, the Scandinavian-owned cross-channel ferry operator.

The investment, Sally Holdings said, would enable privately owned Fort Ramsgate to develop as a major commercial port and not just a ferry port.

The company said the construction of the M25 motorway had enhanced the prospects of Port Ramsgate, along with other Kent ports. Port Ramsgate offers some of Britain's shortest sailing distances to Belgium and Dutch ports, as well as to Dunkirk in France.

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FINANCIAL TIMES REPORT

Incentive Travel

Stimulating sales with dreams

Travel schemes to motivate staff are growing so quickly that the UK taxman has started to take an interest in the perks

BY ARTHUR SANDLES

THINK OF a golden beach, palm trees, cool drinks under a clear blue sky, the soft swish of gentle ocean waves; you're thinking about Barbados... or Mauritius... or Hawaii... or any of a hundred dream locations around the world. You're thinking about incentive travel.

Dream it may be, but it is also very big business. Indeed it is big enough for the Inland Revenue recently to have set up its own Incentive Valuation Unit in order to cope with the taxation problems involved.

But, if the mention of income tax is too severe a shock after all that talk of sun-kissed sands it might, perhaps, be best to indulge in a few destinations.

Incentives are part of the motivational armory of today's managers and marketers. You do not, as motivation consultant, David Livingstone is eager to point out, have to give incentives to motivate.

"Praising people for good work or frightening them for bad can be motivational tools."

Incentives as meant by the businesses that supply them therefore are a reward or an encouragement in a tangible form. They range from the crystal decanter to the first European cruise. They can be entangled with promotion, like the corporate umbrella or the gold pen with its discreet logo. They can be offered as part of an advertising campaign to sell more soap powder or as a bonus for on-the-road salesmen who sign up more computer contracts.

And then in the business of selling it will tell you that the greatest of these gift-giving

prizes is travel. In a business admittedly very short on research it is thought that around \$50m a year is spent by British business alone on incentive travel and that well over 200 organisations offer their services as intermediaries between the company seeking to use travel, and the airlines, hotels, resorts and other suppliers who are keen to provide facilities. Of these, perhaps 100 are to be taken seriously and only around a couple of dozen are of consequence.

This is minor league stuff by American standards, of course. Once again the research appears to be vague and unreliable, but estimates of the total incentive travel market in the U.S. would put its value at \$1.8bn at least and perhaps as much as \$3bn this year.

Repetition

If one were to confuse these figures further by including the real value of the awards in the U.S. frequent flyer programmes, which are after all the travel industry's own incentive travel awards, the figures would once again rise significantly.

Travel is also by far the fastest growing area of the incentive business. The reasons for this are difficult to fathom. Travel of some sort is the ultimate dream of most people.

It is also something which bears repetition—someone who has been to the Seychelles may be happy, and even eager, to go

again if offered the chance, for free, while someone who already has a Porsche might be less enthusiastic about being given another one.

Travel has a broad family appeal, and thus employees or business contacts offered such an incentive are able to share the anticipation with their spouses and, sometimes, their children.

Initially the enthusiasm of destinations and other facility providers was based on the fact that incentive users were often looking for bargains and thus could be tempted into the off, or shoulder, seasons.

This is still the case with a large slice of the market but, for many companies, the additional cost of a main season incentive trip is minor when compared with the overall cost of the total motivational scheme.

The heaviest users of incentive travel both in Europe and North America tend to be the insurance and motor industries. Insurers use travel to incentivise salesmen and brokers while the motor industry, which is an outstanding example of an industry where the manufacturer has little or no official control over the way his product is actually marketed, uses travel extensively to woo dealers and the press.

Deals in the past few weeks for P & O Cruises, for example, include the taking of 234 dealers for a cruise in the Mediterranean on the Sea Princess while Abbey Life Insurance has chartered the whole ship for a

cruise for 11 nights in the Caribbean next May.

Increasing sales is the predominant motivation for most companies using incentive travel as a motivational tool. Other objectives, such as improving work performance, time-keeping or safety awareness are subjects of incentive programmes, but higher sales are the more normal target and it is from the sales and marketing budget that the fees are paid.

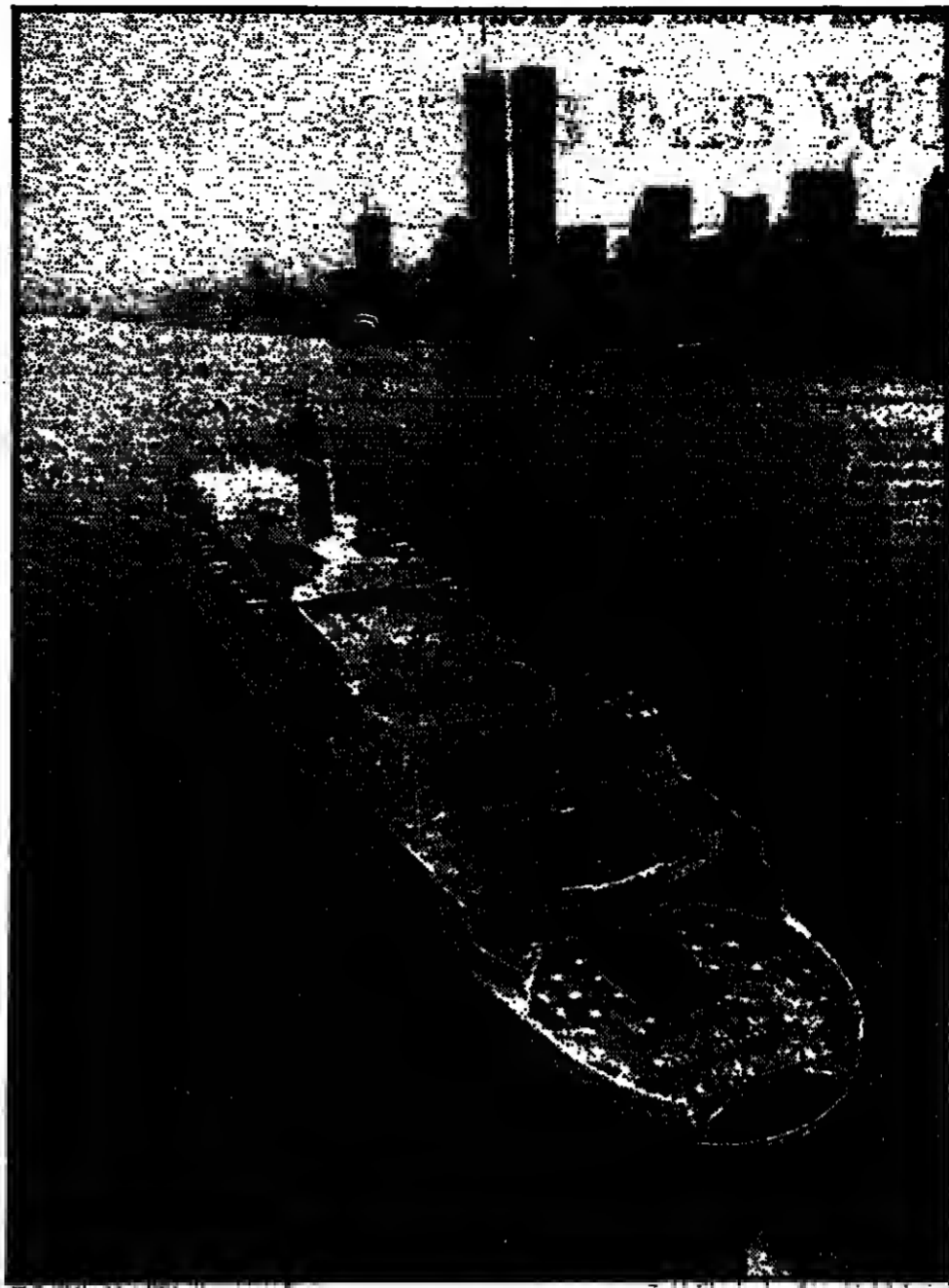
It is the result of these fees, the trips to glossy places abroad, which are of increasing interest to the revenue authorities on both sides of the Atlantic. In the UK, the setting up of a special unit reflects this interest.

Liability

It also reflects a desire on the part of the UK Government, while it relaxes the tax burden on the better paid, to tighten upon the previously untaxed perks that those better paid enjoyed.

The tax position, in theory, is simple enough. In most countries, but certainly in the UK, there is a tax liability for everything an employee receives as a result of that employment. It does not matter if that reward comes in the form of cash or jelly beans, the tax liability remains as does the responsibility of declaring the receipt of any such reward during a tax year.

In broad terms, if the trip is on offer to all staff in a particular bracket (in other words all the wall-to-wall salespeople, not just the best performers) and if a realistic



The QE II in New York, a popular form of travel for incentive holidays and a popular destination

new corporate sales programme for the latest range of high frequency wall-to-wall is taxable there may be ways of reducing or avoiding the tax problems altogether.

Travel industry sources reckon that the taxman is quite willing to accept that getting the salespeople away from their normal environment is a

time is spent on business matters (that is a general 9-5 five day week) the tax authorities might well say ahead. There is no particular difference, in the UK, between a domestic trip or a foreign trip.

Travel industry sources reckon that the taxman is quite willing to accept that getting the salespeople away from their normal environment is a

valid business expenditure—they will listen more in a French country hotel than in the world's casinos.

It is when the trip is offered as a reward for particular performances; in other words when it is a true incentive, that the problems arise. These are compounded by a high proportion of entertainment or free time and made much worse by

Top 10 incentive destinations

From U.S.	From UK
Mexico	Paris
Bahamas	Riviera
UK	Baleares
Caribbean	Portugal
Bermuda	The Coast
Canada	Italy
Italy	U.S.
Cruising	Caribbean
France	Far East
Spain	Austria

Source: The U.S.-Society of Incentive Travel Executives. The UK—trade source estimates.

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the accompaniment of spouses and children.

In Britain, life is made a little difficult in that the payment of tax is a matter between the individual and his tax inspector. Unfortunately each inspector may well take a different view of what is a true business trip and what is not.

Realistic

At the worst and an inspector may well stick to the strict letter of the rules and say that a weekend in Paris was worth the face value of £500 while the incentive organiser only paid £300 and the recipient would not have gone had he known it was going to cost him more than £50.

Increasingly, however, the reality of the situation is that responsible companies take the advice of their accountants and the valuation unit and reach a prior agreement with the tax authorities.

This involves the payment of tax, at the standard rate, on a realistic value of the benefit. The receipt of the award still has to be declared and, for higher rate taxpayers, they may still be a bill, but at least there is no nasty unexpected shock which could suddenly turn what was hoped to be an incentive into a disappointment.

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TWA

INCENTIVE TRAVEL 2

Arthur Sandles on the stuff that dream trips are made of

With 007 and all that jazz

IT WILL be clear to anyone visiting the Incentive Travel Exhibition in London this month that the destinations and other suppliers to the market are enthusiastic about its possibilities. For the incentive shopper, however, the choice is by no means simple.

The ultimate "dream," a desert island in some distant ocean perhaps, with only sufficient sophistication to provide cool drinks and gourmet meals at the right times, may be totally unsuitable for the corporate board member who may receive (days later) a telex telling of a take-over bid from the nearest rival.

In such situations communications take precedent over dreams. What then are the stuff that dreams are made of these days? According to Incentives and Promotions magazine, Italy has recently overhauled France as the most popular destination for the UK incentive market. France is now equal second with the U.S. This combination in the runners-up league is a clear indication of the status of the market. Since the survey covered a period when the dollar was at its strongest, the message is obviously that product is of rather more importance than price.

Once again we come back to the perpetual theme from all participants in the industry: "We are in the business of making people feel like winners."

"The incentive serves two functions," says the sales consortium Leading Hotels of the World. "They are to motivate the sales force in the first instance to meet the targeted figures, and second to further promote and regenerate interest in the company's business while on an unforgettable incentive trip."

To do this there are some pretty remarkable offers around. Windotels, which offers some of the uppest of up-market properties in the Caribbean, will offer conference organisers the run of a whole island if asked, including the royal related Mustique.

Islands, and small luxury hotels, have a particular appeal for conference and incentive travel organisers not only for the "away from it all" element but also because the audience

It is a rare trip which does not include evenings where the sales director is expected to make a fool of himself to encourage his sales team and prove that he is almost human.

is trapped. Looked at from the publicist's point of view this encourages a family feeling among the participants. From the corporate users' angle it means that participants are not easily wooed away to down-town bright lights when they should be at business sessions.

Perhaps cruise ships take that concept to its logical extreme. Cruising has a very high aspiration element, in other words it is something people want to do but often cannot afford, and it also overcomes many of an incentive organisers' main worries.

"For example," says Royal Caribbean Lines, "on a cruise ship you do not have to worry about a spouse programme. It is built into a normal cruise anyway."

Not that the line, like its rivals, will not organise anything that is sought. Conard, P & O, Royal Viking, indeed all the cruise operators will offer incentive organisers anything from a few cabins and a basic incentives package to a complete ship and everything personalised for the participants.

Personalisation and themes seem to be the name of the game these days.

"We have a fantastic James Bond style weekend in the Amsterdam Apollo," says Trusthouse Forte with enthusiasm. "... or there's an Arabian Nights evening under the stars at the Hanihi Palace. In Tunisia and jazz themes in New Orleans."

It is a rare incentives trip these days which does not include a few of these "themes." Not that the sales director is expected to make just a slight fool of himself in order to encourage the efforts of his sales team and prove that, for once at least, he is almost human.

If the industry itself has themes they are for the de luxe and the exotic. This is not a polarisation, nor are the two exclusive. When appealing to the very top end of the mar-

Bahamas, the UK, the Caribbean, Bermuda, Canada, Italy, Cruising, France and Spain. Perhaps the interesting aspect of that list is the absence of Far Eastern destinations but this may be a question of time and distance as much as demand.

Certainly the constant cry of the incentives industry to its clients is for them to lower their sights and offer a better nearby product, rather than skimp on a distant destination.

Indeed the domestic market itself deals with a considerable amount of incentive traffic. London is a major "fun" destination and inland resort towns and the growing number of luxury country hotels provide an excellent setting for incentive work. Even overseas destinations provide a spin-off for the home market.

"We do a considerable amount of incentive business in our hotels for people who are gathering before setting off for some foreign place," says John de Trafford of Thistle Hotels.

This gathering, either to say hello or farewell, is yet another element in the battle to turn the sales forces' dreams into sales figures practicalities.

A checklist to avoid pitfalls of poor organisation and planning

Executive toy that can back fire

TO SOME extent incentive travel is a new executive toy—everyone is playing with it. It is, however, a serious management tool, often expensive and one which can easily cause problems if employed badly.

The following checklist is offered as an aid to potential users:

● Think well ahead. The basis of incentive travel is the selling of a dream. Its advantages over hardware are its universal appeal and the likelihood of a dash with other plans.

● To make the most of the prize, however, the project must be thought through. It may take weeks even to decide on a destination. To do things in any sort of rush can lead to a failure to get the maximum benefit from a travel award. In particular you have less time for assessing different proposals and it is a little irritating to find, having made your final choice, the location is already booked by someone else.

● Objectives

● Assess target. Although an increase in sales is the most common reason for using incentive travel as a motivational weapon, the simple act of throwing a glossy award at the top salesmen is not always the answer. Incentive users must find weaknesses that are providing the perceived sales failure.

● Care must be used in motivating one sector of the workforce not to demotivate other workers who may feel left out. Up to half incentive travel users have as one their prime objectives

the desire to keep the whole workforce happy.

● Is travel the right incentive? Although travel is the fastest growing of the incentive market it is not the only incentive available. A company seeking to improve staff morale, for example, where the employees are largely young and female might find provision of a creche generates more goodwill than the offer of free holidays to a few favoured staff.

● Seek help. Even if you finally decide it is better to carry out your own incentive programme it is worth calling for sales pitches from specialists in one aspect or the entire scheme. By doing this you will gain some indication of the likely true cost.

● Different companies have differing approaches and differing ways of charging. Keep the brief as open as possible to see if any good ideas emerge.

● At the Incentive Travel Exhibition a wide range of destinations will be showing off their wares. This is the tip of the iceberg when compared with what you will be offered as a potential purchaser.

● Do not be put off by your choice of destination, hotel or cruise ship. Just because a nation or hotel group produces the glossy brochure, and the glossy brochure of sales pitches it does not follow that the product is what suits your needs best.

● Design the pack for your target audience. Even having chosen a destination, buyers have to bear in mind the staff or sales outlets aimed at. Brush salesmen may be motivated by

the idea of a luxury holiday in the south seas but, in the event of winning, may be uncomfortable with the reality. Corporate chairmen may be much more attuned to a short-stay, luxurious trip than by a penny-pinching journey to distant parts.

● An essential element of the trip is that it should be so successful that the winners discuss it with their colleagues on return and set the ball rolling for the next one.

● Adjust the prize for quality, not for price. If you are worried about the budget move down to a less exotic trip or a shorter stay rather than cut the prize. An incentive trip should be a considerably greater experience than a normal holiday and the nearer your journey gets to becoming a run-of-the-mill package tour, the less likely you are to win the loyalty and affection of those taking part.

● Expertise

● Plan carefully. Not only the trip needs thought. A well-used incentive scheme is carried through with a long run-up of mailings to competitors and the use of the prize in every way. Although normally a long lead time is important it is also crucial to avoid promotion becoming "tired."

● This again may involve some motivational expertise which may be worth buying or at least looking at ways in which other companies utilise travel. The motor industry and insurance companies are the biggest users. Whatever the basic cost of

your trip if you are not spending around 10 per cent more on promotional work connected with it then you are below the industry average and may be under-utilising the tool.

● Talk with the tax people. Taxation is a thorny subject in incentive travel. Simply throwing in a few business meetings does not remove the tax liability. To give a high-bracket taxpayer a £2,000 trip and then let him discover a year later he owes the taxman £1,000 (plus £1,000 for his wife) is no joke.

● The relevant valuation unit is at 27 Broadwick Street, London, W1B 2AE. You should be able to negotiate pre-payment of at least the standard rate tax element in advance. The taxman is sympathetic—it is told in advance.

● Follow up carefully: The incentive does not end with farewells at the airport. The good feeling that has been generated should be exploited over the coming months, even with basic little touches like letters of thanks for the participants' company, cards posted from the destination and encouragements to ensure that everyone works hard enough to meet again in another resort next year.

● Everyone knows there is no such thing as a free lunch and there is certainly no such thing as a free trip to Ocho Rios—and no-one knows that better than a salesperson. They will expect you to extract your pound of flesh, but do so with discretion and charm.

Arthur Sandles

Travel is not just a prize for internal sales forces. Dealers and brokers also benefit MAX CUFF reports

Extra motivation for the independents

THE USE of travel as a motivator is not restricted to company sales forces. The principals of main dealerships, high street retailers and even publicans are as likely to find themselves participants of an incentive travel programme.

Insurance and automobiles are examples of industry where the independent "dealer" is crucial in sales and marketing.

Although not directly employed by the company whose products or services they sell, the dealers provide the most important sales interface with the consumer. A policy or model may be advertised on television by the company, but it is the independent operator who makes the sale. Little surprise, therefore, that incentive travel is widely used by insurance companies and motor manufacturers.

Conventions

Programmes designed for independents also have a marketing communication function not always necessary with those designed for internal sales forces. Pre-trip literature, which is an important element in well-planned incentive schemes, can provide a medium through which management can address those who sell its products.

The trips, often called conferences or conventions, also provide occasions on which successful independent dealers can come together and hear company announcements regarding strategy, policy, performance or the launch of new products. The trips provide a cohesion between people who are self-employed and who depend on their own rather than the company's efforts for their commercial success and survival.

Those who successfully run their own businesses are by necessity resourceful, energetic and ambitious and any incentive programme designed for the trade has to take this into account. The most successful and therefore the most likely to qualify for a trip are fairly wealthy in their own right. That too has to be taken into account.

There is no such thing as the perfect destination. The south of France may be perfect for one group but may bore the members of another. The delights of Bangkok or the Bahamas may have the best beaches in the world but if the would-be participants have never heard of it, or have heard of it in a negative sense (revolution 10 years ago, unrest, two years ago, etc.) it cannot be used.

A destination also has to offer some quality or experience which the participants would not expect to enjoy in the normal course of their lives. There is little point offering a trip to Benidorm to insurance salesmen who can afford to take their holidays in the Azores—and little point offering them the Azores either.

The "best" incentive destination lies somewhere within the participant's horizon of understanding and appreciation and beyond his or her horizon of expectation.

Another important element in the planning and management of each event. To be effective, to send dealers away eager to work harder to sell even more products to enjoy the next trip, the event has to be unique.

This aspect more than any other differentiates incentive travel from the off-the-peg package holiday. Each incentive trip has to be a bespoke operation, different from any other and as unrepeatable and as memorable as possible.

Such planning and operation calls for a high degree of specialist expertise and the past 10 years or so has seen the emergence of a number of small incentive travel agencies. They have been joined, to the detriment of incentive travel, by tourist operators hoping to make a killing in the incentive business.

A number of big users now have in-house executives who plan and operate incentive activities, often with the support of specialist agencies.

Abbey Life's conference and incentives manager is Mr Richard Fawcett whose small department in Birmingham is responsible for the insurance company's well-established and well-oiled motivational programme.

Incentive programmes are paid for out of profits and not out of earnings," he says.

Using incentives supports the 2,500 self-employed people up and down the country who sell Abbey Life's policies, making the company stronger in the marketplace and strengthening the policyholders' position with the company.

The company uses incentive travel in two ways: a target-beaters' travel award takes place every two years and a Chairman's Club event takes place in those years when there is not a target-beaters programme. The latter is designed to motivate the 80 or 90 top performers who account for about 22 per cent of Abbey Life's annual sales.

Last year Abbey Life target-beaters enjoyed a trip to Florida's spectacular Boca Raton resort hotel, an experi-

ence most could not repeat for themselves and one made unique by a series of extras including a dinner and stage show produced for the company.

This year the Chairman's Club enjoys Hong Kong complete with a wide range of extras.

The question posed by most executives planning to use incentive travel for the first time is how much should an incentive really cost—and is it really worth the money? U.S. incentive experts suggest that trips should be self-liquidating: that money spent on organisation is earned by the extra profits derived from the extra sales.

This is a facile way of looking at the business and Mr Fawcett's assertion that incentives are paid for out of profits rather than earnings is more acceptable.

Motivated

Using travel, and the promise of travel, to motivate people is not cheap and cannot be compared with group or package holidays where corners are often cut in order to reduce costs. The cost of a programme can vary between £840 and £15,000 a participant. Whether this is well spent depends on the sort of people the company wishes to motivate, the criteria for qualifying and the objectives the company wishes to achieve.

A dealer principal is hardly likely to be motivated to sell £1m worth of product in return for a £700 holiday, while a £17,000-a-year self-employed insurance salesman might be overwhelmed by a five-day £9,000 trip including a 10-course gourmet dinner in a palace.

Companies sometimes try to cut the costs of incentive trips for their dealers, often with disastrous results. "The differ-

ence between a £40,000 trip and a £28,000 trip can be success or failure," says Mr David Tomlinson of the Travel Organisation, one of the larger incentive specialist agencies.

"If to achieve a certain objective is going to cost £40,000 it is not worthwhile risking failure by trying to save £2,000." The saved £2,000 can mean lost business and cost the company a good deal more.

There is, however, a difference between spending too much and spending wisely. The best hotel is not necessarily the most expensive and whether an hotel is the best buy depends on whether it can provide the right standard of service.

"Service is important," says Mr Tomlinson. "When the participants write in and compliment the service they have received at an hotel you know the trip has been a success."

On the other hand Mr Charles Robinson of Conference and Incentive Directions, believes that some clients spend unwisely. "Sometimes they have a tendency to spend too much on the trip and not enough on its promotion," he says.

Free drinks from start to end of a trip might be wasteful if the programme was communicated to the would-be participants in a poor and ineffective manner to cut costs.

Incentive travel is not cheap but as proven to be an extremely effective means of motivating people. Costs can be cut but this must be by careful buying by expert specialists.

One thing is certain. The most expensive way of using incentive travel is to buy an inexpensive package from a tour operator and to try to cobble it into an incentive.

MAX CUFF is editor of Promotions & Incentives magazine.

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INCENTIVE TRAVEL 3

Specialists are eager for business, Arthur Sandles reports

Making winners feel loved

IN A recent review of the incentive travel market the U.S. Society of Incentive Travel Managers used words which should be etched above the desk of every marketing director.

"The incentive travel programme should increase the business of the company sponsoring it. But many companies fear it can become a cost of doing business, not a way of increasing business."

"Travel suppliers can help by developing materials that stress the serious, sales-building nature of incentive travel, to help reassure corporate financial officers they are not funding a free-loading junkie."

Being fired with enthusiasm for travel as an incentive, a sales building activity, is one thing. Finding the right help to make it that is another.

As with any growth industry the development of the incentive travel market has been accompanied by a surge in the number of companies eager to service it—too many say some. As any company which has been tempted to use travel as part of its motivational or sales efforts is aware, the number of salesmen beating their way to the corporate door clutching folios of the glitziest brochures can be daunting.

Market leaders like Promotions, B. F. MacDonald, Maritz, the Travel Organisation, and Page & Moy think that the rush of newcomers and general consumer travel companies moving into the incentive market is a bad thing. But they would, wouldn't they?

Only 20 per cent of companies in the U.S. use specialist incentive travel houses, some 59 per cent use in-house staff, 48 per cent use local travel agencies and 13 per cent rely on the destinations to do the work,

according to the Society of Incentive Travel Executives.

The U.S. market is only a guide to what happens elsewhere, however. European specialist houses have a smaller area to cover and are less vulnerable to attack by conventional travel agents. Also the specialist house share of the market in the U.S. has fallen over the past year.

As with so many aspects of incentive travel there are problems of definition, such as what a specialist house is. Those offering services to any company are likely to range from a travel agency with some expertise but basically selling off-the-shelf holidays, to a full-scale incentive house for whom travel is only one arm.

Some will have a motivational team which can design an incentive programme from square one; others will farm this out or have associate organisations if such a facility is employed at all.

Costs

For many companies the full weight of a specialist house may not be seen as necessary. It may be felt that local expertise, particularly when it is from the agency which normally handles the corporate business travel account, is more valuable than that of an organisation whose specialist knowledge is in what is available and how to arrange it.

Talking about the costs of incentive travel is therefore like asking how long is a piece of string. Agencies and incentive group like a package-tour party is likely to feel that this was a prize not really worth the winning.

The properly assembled incentive package will not only ensure that the basic mechanics of a trip go smoothly (and that there is a fall-back safety system if an aircraft that was heading for Rome is diverted to Nice) but that there is a suitable array of extras which make the incentive winners feel loved.

Hotels will put gold stars and embossed name-plates on incentive winners' doors. Nightly gifts for winners and spouses,

is about £1,000 per trip. The variations around this figure are, of course, large.

For the unwary the potential for pouring that money down the drain is considerable. There is room for disappointing the incentive winners, for example.

"People going on an incentive programme are more than just participants on a journey," says M. Xavier Kempf, director for conventions and incentives at the Montreux Tourist Office.

"They are over-achievers who have reached a very high target and happen to travel together, and who expect to be treated as such—not as a group, but as winners."

Or according to Mr Hackett, of the Travel Organisation: "Expenditure on incentive travel comes out of clients' marketing budget. Therefore the effect of travel programmes must not only be measured as whether participants have a good time, but also whether the client achieves his corporate objectives."

The incentive winner who finds a long hectic queue for check-in at an airport, who then has to wait for hours for a taxi or bus and arrives at an hotel which treats the incentive group like a package-tour party is likely to feel that this was a prize not really worth the winning.

The properly assembled incentive package will not only ensure that the basic mechanics of a trip go smoothly (and that there is a fall-back safety system if an aircraft that was heading for Rome is diverted to Nice) but that there is a suitable array of extras which make the incentive winners feel loved.

Hotels will put gold stars and embossed name-plates on incentive winners' doors. Nightly gifts for winners and spouses,

monogrammed of course, are almost run of the mill.

"We have created a whole Hong Kong street in a Hawaiian hotel, complete with volunteers from the local Chinese community who came in to play ma jong," says Hyatt, which operates at the upper end of the conference market and is biding to extend its strength in the U.S. market to the European market.

Sales

At this level of sophistication a company using incentives needs either a very efficient in-house department (normally only a possibility where incentives are a normal, and large, feature of the sales activity) or use outside expertise to know what is available and how best these offers can be used.

One trend which seems to worry some suppliers is the tendency for decisions to be made too soon. Most forms of incentive travel require time for the prize to be used as an incentive, with regular bulletins and a maximisation of the "dream" potential.

There are dangers in long lead-times but contenders may get bored with being told week after week that a holiday in the Seychelles is at stake.

A well-designed incentive scheme takes account of this. It also takes into account the disincentive of sales people, for example, realising that they are not in the running for the prize and thus slowing down.

The main thing to bear in mind is the object of the exercise.

"The importance of incentive travel must not be underestimated, nor the reason for the trip forgotten," Trusthouse Forte says. "Incentives are designed to motivate, whether to achieve new sales targets or improve productivity."



Computer Communications DPAS systems integrated with the Travicom reservations system at a branch of Hogg Robinson Travel in London, one of more than 250 similar installations. The automated ticketing and accounting equipment can produce tickets for a group of 99 passengers as well as personalised itineraries in about 16 minutes while simultaneous invoicing and airline accounting takes place

David Churchill on the techniques of consumer motivation

Persuasion of the razzmatazz

MOTIVATING THE consumer with free travel is perhaps one of the most underexploited areas of sales promotion. Many advertising agencies and public relations consultancies are reluctant to commit their efforts to linking special sales promotions with travel incentives because of fears that the holiday may not live up to expectations and lead to bad publicity.

Local newspapers, it seems, are quite keen to run the "shock, horror" story of a free holiday gone wrong. Advertising and PR executives, therefore, are more likely to use the "safer" prize of a car or colour television than risk a holiday.

Yet some companies have successfully used travel incentives as a means of promoting sales in a consumer competition.

One such promotion was for Whitbread's Heineken brand. It was carefully related to the "reaches the parts no other beer can reach" theme used by Lowa Howard Spink in media advertising for the brand.

Promotion

The competition, which was featured at point of sale and promoted through a 10m household door-to-door leaflet drop, invited consumers to guess the point on a map at which a cyclist who had refreshed himself with Heineken would overtake another rider.

The prizes, like the lager, would not normally have reached the sort of overseas holidays they would not nor-

mally have taken — such as tennis in the Peloponnese, deep sea fishing off Lanzarote, and gliding in the Camargue, for example.

Mr David Robson, from the motivational company Bonusplan, points out that the motivational effect of any kind of incentive programme lies not in the prize that is won but in the accompanying promotion to the participants—the razzmatazz that is built into the programme to generate excitement and to promote the competitive spirit.

His adds that "the promotion has to be built around a relevant theme and it makes sense if it is the same theme as the media advertising."

Consumer promotions linked to travel can be useful in a number of ways, such as stimulating sales of an old product before the launch of a new one, overcoming seasonal troughs in sales, and helping to boost a new product launch. Travel incentives in these circumstances can add the touch of glamour and excitement to the competition that more mundane prizes lack—even if travel trips carry their own potential pitfalls.

However, as Mr Robson of Bonusplan points out, "consumer motivation programmes do constitute an important tactical market weapon, but it is unfortunate that more companies do not realise their value." He argues that "if a longer-term approach were adopted it would have the effect of preventing some of the fires

that tactical programmes are used to put out."

Probably the classic consumer incentive travel promotion of recent years has been the scheme operated by Lever Brothers and British Rail to promote the sales of detergent and rail travel respectively.

Lever first started offering free train tickets with Persil in 1977, in a test market carried out in the south-west, and has carried out four national promotions since. Customers were offered a free rail ticket in return for proof of purchase of a Lever Bros product which they could use when accompanied by a paying passenger.

Expensive

Market research showed that free rail travel was a popular choice "with families who viewed rail favourably but were inhibited from more travel by high prices."

In addition, the research found that over 90 per cent of free train ticket travellers had not been in a train in the previous 12 months. Without their free tickets, some 17 per cent of travellers would have gone by car, a similar percentage by coach, and a quarter would not have travelled at all.

Lever concluded that "this promotion includes a very strong consumer offer and is linked with a proven product partner."

However, because the last ticket offer was a re-run of previous promotions, a public relations consultancy — Jervis

Read PR — was recruited to help boost awareness of the promotion.

Other recent consumer promotions include holders of London Transport Travelcards being offered discounts on Sovereign holidays and collectors of 25 "Bounty" confectionery bar wrappers receiving £50 off a holiday from leading tour operators.

These promotions were organised by a company called Promotivation whose managing director, Mr Mike Morris, points out that "as travel is one of the most expensive items on the family's yearly budget, travel prizes and money offers rate very highly."

He adds that the "trend is towards holidays where people can become involved rather than just passively sipping a gin and tonic." For a brand of hair spray, for example, Promotivation organised a hang gliding and parachuting prize.

For the travel industry, consumer promotions are not a major part of their business since the numbers involved are quite small compared with the business generated by corporate motivation programmes.

However, most tour companies and national tourist boards are happy to take part in consumer promotions because of the publicity attached to their sponsoring of a prize.

As Mike Morris adds: "We are in the business of creating a dream. The best compliment from the traveller is that they would pay to go themselves if they could have afforded to."

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Corporate strategy

Perstorp's quest for constant renewal

William Dullforce explains the Swedish multinational's sophisticated approach to innovation and expansion

ENTREPRENEURS searching for the secret of how to generate and manage innovation could profitably visit a village in the heart of the southern Swedish province of Skåne. Perstorp is the name of the village and of the multinational whose home is there. "Creative chemistry" is the slogan coined by Karl-Erik Sahlgren, its managing director, to describe what it does.

More than 100 years ago Perstorp started making money from smoke, burning the beech trees which surrounded the village to produce charcoal and distilling acetic acid (vinegar) from the beech wood. Today it is Europe's largest manufacturer of decorative laminates and one of the world's leading producers of polyalcohols for the paint industry.

The Swedish concern is not in the same league as the giants of the European chemicals industry such as ICI, Bayer or Ciba-Geigy. It is a typical, small-country producer, which was successfully practising the art of concentration on small segments of the market before the "niche" concept became fashionable.

Its speciality has been formalin chemistry. Formalin, its method for producing formaldehyde, has been sold to some 35 licensees, although its polyalcohol processing technology is still carefully guarded.

But what is most fascinating in Perstorp is the intensification of its innovative thinking over the last 15 years and the sophisticated, possibly unique, system it has evolved for stimulating research and product development.

Its recent financial performance has been impressive. In 1970 consolidated turnover was SKr 200m; in the current fiscal year to the end of August it is likely to reach SKr 3.5bn (\$509m, \$417m). Sales have doubled over the last five years and pre-tax earnings have tripled to SKr 337m.

Perstorp is a true multinational with 77 per cent of sales and 40 per cent of production outside Sweden. In 1983/84 Britain provided 15 per cent of the turnover, with 23 per cent coming from the rest of Western Europe and 21 per cent from the Americas.

Perstorp has set ambitious corporate targets. It aims for a 20 per cent average growth in sales a year, a 10 per cent profit margin, measuring earnings after depreciation plus financial income as a percentage of sales, and a return on total capital of between 12 and 15 per cent.

Growth at this pace in a specialised, high-technology concern calls for constant renewal within the company and the maintenance of a truly innova-

tive climate. In Sahlgren's view, for the last 10 years his managers have had to learn what they themselves have dubbed the "five commandments":

1. "We shall seek niches." This means keeping out of markets where economies of scale dictate the rules of the game. Selecting the right segment is a "matter of life and death," so the nature of the market and the strength of the competition must be thoroughly appraised.

2. "We shall internationalise our business early." Since Sweden is too small to support Perstorp's operations, all products have to prove themselves on foreign markets. The second commandment follows naturally from the first.

3. "We shall decentralise." Decision points have to be pushed as close to the market as possible and managers shall have leeway to run their businesses. In all companies, Sahlgren says, the dynamic working towards centralisation must be resisted.

Under him Perstorp appears to get a shake-up every five years. Last year it was reorganised into nine independent "business areas."

4. "We shall stay flexible." This means no massive investment is to be made in capital equipment, creating rigidity. Perstorp kept out of petrochemicals which appeared to offer lucrative opportunities in the early 1970s; on the other hand blo-

technology in the 1980s is seen as an ideal area to explore.

5. "We shall exploit the creative base." Managers are expected to make effective use of the mechanisms in place within the company to stimulate innovation and encourage people to test ideas. These mechanisms are the decentralised research and development apparatus; the research foundation with its scientific council; the managing director's fund; Pernovo, the development company for new business; and the group's involvement in Lund, 80 kilometres from Perstorp.

The organisation of the "creative base" is perhaps where Perstorp is most original. It is deliberately designed to short-circuit more formal management channels, to release people's creativity and to facilitate informal, cross-fertilising contacts.

Perstorp closed down its central research and development unit in 1971; it was seen as being too expensive and too specialised. Now each business area is responsible for its own R and D with the emphasis on development and on keeping its researchers close to its market.

The head of each business area is personally responsible for launching new products on the market. Group practice is

to charge all research and development costs against operating income. Last year these amounted to SKr 110m for the corporate units and SKr 85m for the parent company.

Research done within each business area has renewed the life cycles of many "old" products. Perstorp Surface Materials, for instance, developed methods of producing laminates under high pressure continuously, in reels instead of sheets; extremely thin laminates for laying over edges and round corners; and thicker laminates to clad building facades.

However, Sahlgren points out, decentralising research in this way leaves a conflict between the one-year horizon of a business manager watching costs and earnings and the ten-year lead time often required in chemistry to develop a new product. The solution is provided by the research foundation and the managing director's fund.

The foundation sponsors research at universities or contract centres. In this way a business manager can get a research project going or have his basic research done for him outside the company. It is a rule that the person responsible for supervising the quality of the work must be inside the company.

A scientific council of six professors and university researchers, each with an interest in Perstorp's business, is linked to the foundation. They verify projects and actively

monitor trends in scientific areas important to the company. Perstorp is also spending SKr 20m-30m over five years at Lund, the science park at Lund, to finance university graduates working on ideas of interest to the company.

The managing director's fund provides risk money for ideas and projects in the shorter term. People can apply for funding, to assess an idea, to make a simple test or to do a quick market survey. The philosophy is that ideas are perishable and die if not tried out.

In one case staff members suggested that laminates could be used for flooring, a purpose for which it had been assumed that laminates were not strong enough. The fund financed technical tests, laminates were placed on the floor round a heavily used photocopy and Perstorp is now selling laminates for floors to the tune of over SKr 70m a year.

An important role is played by K-G Söderberg, Perstorp's ideas ombudsman. He is a spokesman for people with ideas, a sounding board, a source of contacts and a link man within the company.

The most striking element in Perstorp's "creative base," however, is Pernovo, its new-business area. Sahlgren calls it "the key to revitalisation" of the group. Pernovo is not a venture capital operation; it is a nursery for new business ideas. Its function is to "manage search, growth and transfer."

It acquires embryonic businesses. It furnishes the management and funding to build them into independent business operations. It then transfers them to Perstorp, sells them outside the group or closes the operation.

Three of the nine business areas in Perstorp's new organisational structure originated in Pernovo. They are Additives, marketing products which colour and modify the properties of thermoplastics; Components, making noise-dampening plastics mostly for cars; Biotec, which covers several operations including analytical instruments and chemicals, separation products and pharmaceuticals. These three units now provide some 20 per cent of group sales and are growth areas.

After 13 years of trial and error Pernovo has built up much experience in fostering new businesses. It has acquired 15 companies and established 14 others. It can nurse a business for five to eight years before transferring it.

Perstorp has learnt to look for the combination of an idea and a person or "champion." In practice this means that Pernovo tries to acquire small business operations which already have a working nucleus, the beginnings of an infrastructure and a strongly motivated inventor or leader.

The businesses are then "engaged" by turning them into small business operations as possible into companies. The pressures imposed on the new companies help to ensure sound business development, the Pernovo management believes. Lastly, the management likes to develop international marketing organisations for the businesses quickly.

Pernovo has a venture capital operation as part of its "search" function. Through a subsidiary, Pernovo Incorporated, it buys minority shareholdings in U.S. high-tech companies which are thought to be of potential interest for Perstorp's long-term development.

At the top of Perstorp's decentralised and strongly motivating structure is a corporate management board of eight men, most of whom are also responsible for a business area. This board takes the key decisions about which business areas to develop, about acquisitions and about the selection of teams to build up businesses.

Perstorp's experience is that an innovative idea needs the right environment to germinate. It believes that it has developed the tools to help this process but in the final analysis, Sahlgren emphasises, the vital element is to find the right group of people to manage innovative projects.



A NEW presidential suite will be opening soon at the Inter-Continental Hotel in New York. The 10-roomed retreat from the bustle of New York business life has cost \$750,000 to build. "Lustrous fabrics," original oil paintings, plus English and American prints form part of the decor that includes Westwood crystal chandeliers and a half grand piano. The master bedroom offers a bathroom en suite with a double jacuzzi. \$3,000 a night will rent the whole ensemble, but more modest rates are available if you do not require all the accommodation on offer.

LEEDS CASTLE in Kent is adding to its conference facilities. A new chairman's room is being built with accommodation for 25. So low key is the room that the new conference technology involved is concealed behind original oak panelling.

LLOYDS BANK in Britain has reached agreement with American Express which will allow overseas American Express card holders to obtain cash from Lloyds cashpoints. The facility will also apply to UK Gold Card holders. Holders of overseas Green Cards will be able to withdraw up to £700 a week; Gold Cards and Platinum Cards will produce up to £1,500.

KERTZ has linked with British Midland in a Flying Start programme for travellers between Heathrow and Glasgow, Edinburgh, East Midlands and Leeds Bradford. On these routes passengers complete their car rental paperwork before the departure of their flight. The scheme is to be gradually extended to other airports.

FROM EARLY December BWIA International will have a weekly Sunday flight from Zurich and Frankfurt via Antigua and St Lucia to Trinidad. First and executive classes have been upgraded and Stunner seats are now available in First Class.

MERIDIEN Hotels has opened a new reservations office in London at 182 Regent Street.

AMERICAN Express has put up the price of its year-round travel insurance, the Centurian

scheme, but it remains one of the bargains of the business travel market. Basic cover for world-wide travel for a year is \$45 which includes the member and members of their immediate family travelling with them. There are additional fees to cover cars, loss of luggage and personal liability. The scheme is only available to American Express cardholders.

NISSAN Motor Company has produced a Guide to Tokyo and its Environs. Copies are available free from the Japan National Tourist Organisation, 187, Regent Street, London, W1.

BRITISH Caledonian has launched weekly services between London and the Saudi capital Riyadh. Flights are non-stop using DC10-30 aircraft which depart from Gatwick on Saturday evenings. A second service is planned for October.

BRITISH Airways is changing the audio headset on its long-haul flights. Current Super Club equipment will become standard for passengers in Economy Class. Super Club passengers will get a new in-flight entertainment system. The airline is already warning potential souvenir hunters that the new headsets will not work on most domestic personal stereos.

CONCERN is mounting among business travellers over the spread of virulent forms of malaria. Expert advice should be sought about prevention action but one simple first step is to use insect repellents. Jungle Formula (a U.S. product which contains Diethyl Meta Toluamide, or DEET) sold so rapidly when it was launched that the marketing campaign had to be suspended. Now supplies, including a new aerosol pack, are available from local chemists, including Boots.

THE EVER changing shop and restaurant scene at Gatwick has yet another new addition. A £250,000 pub, the Village Inn, has been opened on the upper floor shopping concourse. The pub, which also serves alcoholic beverages outside licensing hours, serves traditional pub foods. Sharp-eyed Scottish visitors may spot that the bar counter has been moved from its previous setting in a Caledonian bank in Glasgow where it had been for 100 years.

RAIL links to U.S. cities from their airports are rare. Philadelphia's, however, opened in May, has proved a great success. The average trip time is 22 minutes. Peak time fares are \$3.50 one way.

Arthur Sandles

TECHNOLOGY

EDITED BY ALAN CANE

Europe's bid to join the space race

France's Hermes project challenges U.S. and Soviet supremacy. David Marsh reports

EUROPE is about to take a decisive step towards joining the U.S. and the Soviet Union in putting men into space. The impetus behind the venture comes from France which is seeking backing from the European Space Agency for its Hermes project—a manned "space plane" to be carried into orbit in the 1990s on top of a heavy-duty version of the Ariane rocket.

Later this month, France's national space agency, Centre National d'Etudes Spatiales, will choose which of two competing French aerospace groups—Aérospatiale or Dassault-Breguet—will take charge of building Hermes.

The project has been until now a purely French venture but M Frederic d'Alel, CNES director-general, who earlier this summer embarked on a European tour to try to win backing from other nations, says promises of financing more than cover the estimated \$2.14bn (\$1.1bn) development costs.

France will take a 50 per cent stake in the venture, in line with its leadership of the Ariane rocket. CNES hopes the 11-nation European Space Agency will give preliminary backing to Hermes next spring, with a final decision in spring, 1987.

The Hermes project is closely linked to Europe's plans to take part in building the

U.S. manned space station, planned for 1994, and thereafter to assemble its own orbiting outpost in space. ESA members in January agreed to go ahead with building both the heavy-duty Ariane-5 rocket, which would carry men and materials into space after 1995, as well as the Columbus laboratory module which would plug on to the U.S. space station.

A conference on Hermes in Paris on October 25, being organised by CNES to present details of the project to European governments, companies and universities, should confirm the gusto with which France is putting forward its plans.

The enthusiasm is based on three factors. 1. CNES has gained greatly in self-confidence during the last two years when Ariane has recorded a string of commercial satellite-launching successes while the U.S. space shuttle has been beset by technical failures. Profiting from this experience, CNES sees Hermes being used only for manned space flights. It believes the Americans have made a costly mistake in developing the space shuttle both to carry men into space and to launch satellites into geo-stationary orbit. This latter function, according to CNES plans, will be carried out by Ariane-5 from 1995 onwards using automatic launch techniques, under which up to three

satellites in a payload bay will replace Hermes on top of the rocket (see diagram).

2. Having a few years ago toyed with the idea of relegating men to orbit to the subsidiary role of tending robots, CNES is now firmly anchored to the goal of assuring European "autonomy" in space through the capacity to keep men there for long periods. Men in space stations will be required above all to prepare experiments which will lead later to manufacturing in space as well as to adjust instruments and carry out repairs on satellites and orbiting platforms.

Among these showing interest in "space factories," is Roussel Uclaf, the French pharmaceutical group majority-owned by Hoechst of West Germany, which recently signed a deal with Matra, the defence and electronics group, to try to produce interferon in space. Experiments will be carried out on the shuttle. Separately, CNES is working with Roussel Uclaf and the two other French drug companies, Rhone-Poulenc and Sanofi, on plans to grow crystals in space for biotechnology purposes.

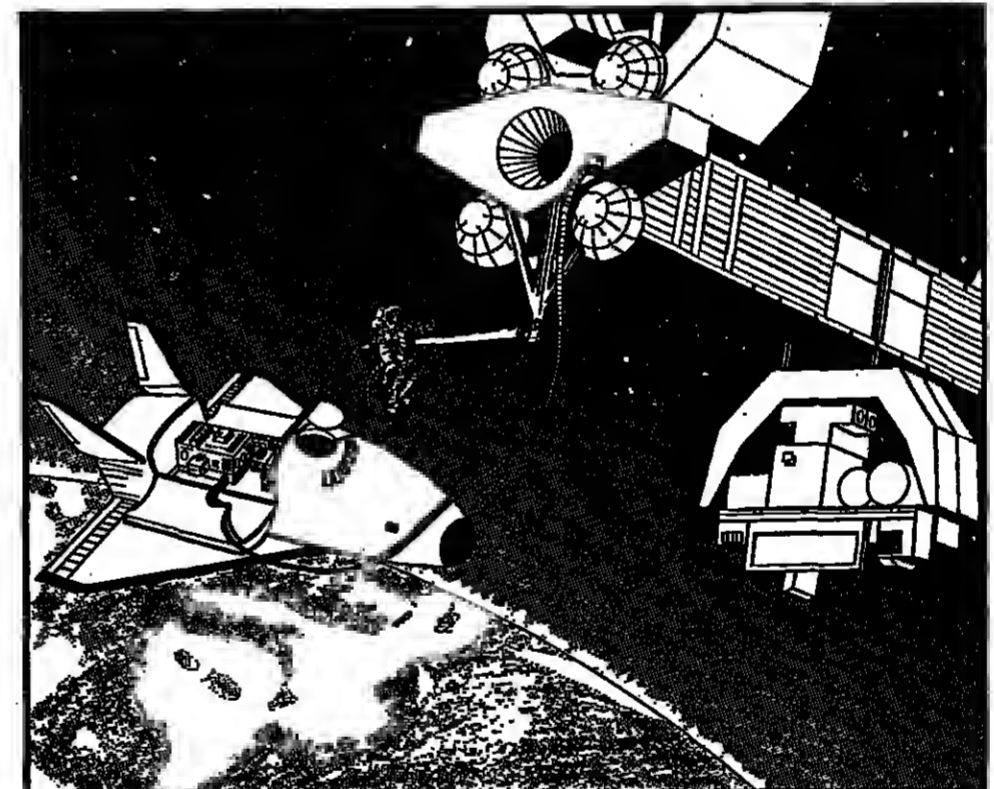
So far France has had only two test flights. Jean-Loup Christien on board Salut 7 in June 1982 and Patrick Baudry who flew with the space shuttle Discovery in June this year. CNES is, however, putting

together a team of about half a dozen new astronauts. They will take part in manned flights with the Americans and Russians over the next few years as well as preparing for the introduction of Hermes.

3. CNES is also assured of top level political support for Hermes. President Francois Mitterrand went out of his way to give the venture public backing at this summer's Paris air show. The military factor will be a very much in the background as CNES lobbies for support from other ESA members, including several neutral countries. But Hermes will be a key link in the chain which leads to the building of the European space base—proposed by Mitterrand himself in a speech in February 1984—for defence-related observation and communication purposes.

France, which has been putting Ariane-5 and Hermes together as a package to try to win maximum European support, has been disappointed that West Germany up to now has shown only lukewarm interest in the space plane.

M d'Alel says he would like the Federal Republic—which is playing the major role in the Columbus project—to take a 20 per cent stake in Hermes. West Germany's attitude is likely to be influenced by the CNES decision on industrial



Artist's impression of Hermes resupplying an unmanned platform

Contenders square up for the space plane contest

THE TWO rival versions of the space plane being considered by CNES draw on three decades of French experience in building civil and military jet aircraft, as well as more recent expertise in space and ballistic missiles.

Aérospatiale and Dassault-Breguet have each submitted designs making extensive use of aluminium and titanium carbon fibres for a delta-winged space vehicle. With dimensions roughly half those of the U.S. space shuttle, Hermes is about the size of the Mirage 2000 fighter.

The shuttle has an in-orbit weight of 100 tonnes, only 30 tonnes of which is available for the payload, while Ariane-5, when launched automatically, will be able to send payloads of 15 tonnes into low orbits, or between 5 and 8 tonnes into geo-stationary transfer orbit.

When the rocket is used for manned missions, Hermes, which

when fully loaded will weigh 17 tonnes, will carry 4.5 tonnes in freight and between two and six crew members.

Hermes will undertake three kinds of missions: repair of low-orbit satellites and platforms; transport of men, food and materials to and from low-orbit space stations (including the transport back to earth of products made in space) and "autonomous missions" such as experiments with space handling devices or radar observation of the earth.

Autonomous missions are designed to last three to four weeks with two to four astronauts on board (of which two will be pilots). Orbital interventions will be shorter, one to two weeks in duration. Hermes will have 35 cubic metres space for materials, with a payload bay 3 metres in diameter equivalent to that on the Ariane-5 launcher.

The pressurised cockpit will

be cramped—25 cubic metres, of which about 12 cubic metres will be living room. Hermes will, therefore, carry six astronauts only exceptionally—in shuttling crews to space stations, or in emergencies.

Unlike the space shuttle, which has engines which are part of the vehicle's launch system, the propulsion systems on Hermes will be relatively modest—again keeping down weight and cost.

Three engines using propellants such as hydrazine and dinitrogen tetroxide will provide thrust required for in-orbit control and manoeuvring, as well as higher power for going into orbit or de-orbiting.

CNES wants to build two Hermes vehicles. Two to three flights a year are planned once Hermes is operational, rising to four to six once the European space station is built. This would include periods of up to three months when Hermes is

designed to remain docked to orbiting space stations. (It will be dockable, to Soviet as well as American and European space bases.)

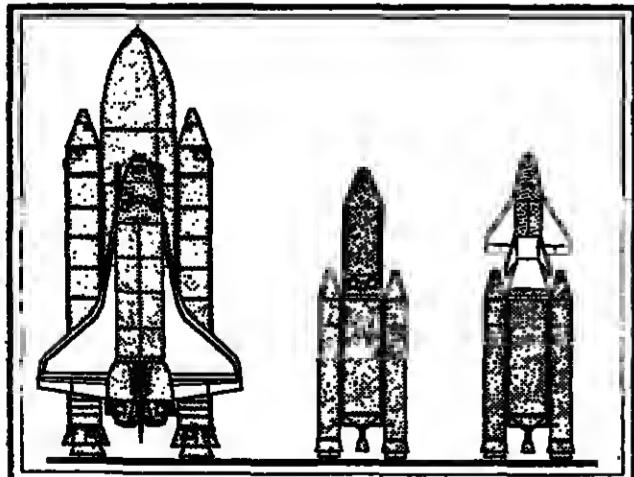
To meet these basic specifications, Aérospatiale and Dassault have prepared their plans in different ways. Aérospatiale's concept draws heavily on its work on the Airbus cockpit layout, for instance, derives from studies made for the new narrow-body A320 airliner—as well as on Concorde. For thermal protection, Aérospatiale aims to use materials such as carbon fibres already developed for its space and ballistic missile work.

Dassault points out that, although it has traditionally been absent from the space business, it carried out development work during the 1960s on ballistic missiles, giving it expertise in re-entry problems. It says it has developed computer programs aimed at stimu-

lating aerodynamic and thermodynamic loads from Mach 22 down to Mirage landing speeds.

Dassault has also incorporated into its Hermes design composite materials developed for the Mirage. It was a partner with Boeing and Grumman during initial studies into thermal protection systems for the space shuttle. This led to development of a metallic protective material named "Protocal" which is now used on hot areas around Mirage engines.

Once the basic choice of industrial leadership is made in September, the stage will be set for work-sharing arrangements to be negotiated with other European aerospace contractors. CNES is hoping for a development time of about 18 months to be made at the end of 1986, a year after the planned entry into service of Ariane-5 and two years after the Columbus module is locked on to the U.S. space station.



THE SPACE RIVALS: Ariane is only half the size of the U.S. space shuttle (left), but the French believe it can fulfil much the same function, and more cheaply. This is because, while all shuttle flights are manned, only one Ariane flight will be manned. CNES hopes the 11-nation European Space Agency will give preliminary backing to Hermes next spring, with a final decision in spring, 1987.

For manned flights, the unit will be replaced by the Hermes space plane (right).

The good news is FERRANTI Selling technology

IBM goes in for parallel processing

IBM, the world's largest computer manufacturer, is the latest company to set about building a computer which carries out many computations in parallel.

It has announced that its Yorktown Heights, New York, research division is designing a machine called the RP3 or research Parallel Processor Project which will initially use 64 processors operating simultaneously. It will be possible to extend this to 512 processors, a machine which should be able to carry out one million instructions a second.

The operating software for the system is being written by a group at New York University's Courant Institute of Mathematical Sciences.

Parallel processing is believed by many to be the best hope for progress in high speed computing, but it has proved a particularly intractable problem. Virtually all commercial computers operate in serial fashion, processing one instruction after another. For commercial use is not expected before the late 1990s.

Computer aid for TV rentals

ELECTRONIC Rentals, which incorporates Visiohire, the TV rental chain, is to use 750 ICL personal computers (PCs) and associated software under a contract worth \$4m.

One of the PCs will go into each of the 424 Visiohire showrooms and a further 320 will be used by the group's service contracting subsidiary, Electronic Developments, which now has about 280 locations in the UK.

The PCs in the Visiohire showrooms will be installed with cash drawers and printers and will be linked directly by overnight auto-dialling to a computer in London to consolidate accounts.

THE ARTS

Architecture
Collin Amery

Impeccable restoration in Dorset

IN 1910 Charles Latham wrote in his gloriously illustrated volume, *An English House*, about Kingston Lacy, the house that has just been restored by its new owner, the National Trust: "Many and varied in the realms of architecture, of the art of the painter and sculptor and of the decorator's hand, are the things that attract us in this famous Dorsetshire house, which lies within some two miles of old Wimborne Minster on the Blandford Road." The attractions remain the same today thanks to the generosity of the last owner, Mr Henry Bankes, who handed over the whole estate with income and capital to the trust which has just completed an impeccable restoration.

For lovers of the history of architecture Kingston Lacy is an important example of the changes that fashion and with it bring to the fabric of great houses. The original house, Kingston Hall, was built by Sir Roger Pratt, one of the first gentlemen-architect-entrepreneurs, between 1669 and 1687. It was an archetype of the Restoration house, "Oblong square" in plan derived from the earlier type devised by Inigo Jones and John Webb and designed for the comfort of a certain class of gentleman not unlike Pratt himself. In fact Pratt was principally concerned to see that the country house of the English gentry after the Restoration was a perfect example of comfort and elegance.

At Kingston Lacy there is a fascinating exhibition researched and devised by Antony Clemenson that explains the history of the house. In this display there are three models that trace the changes in the house from Pratt, through the alterations of Robert Furze Bretingham in April 1688 to the complete remodelling by Charles Barry employed at



Kingston Lacy, Dorset, which the National Trust will be opening to the public on April 28, 1986, following major repair and restoration

Kingston Lacy from 1834 to 1841. The complex story has been researched from archives and the actual fabric of the house.

Because the trust was able to "totally evacuate" the house, carefully recording and storing the contents, the architects—Carré and Marlin (strangely uncredited in all the Trust's public relations material)—had an unusual opportunity to restore and research the entire fabric. It is an intriguing story and one that has already rewritten some pages of architectural history. It is possible at Kingston Lacy to see the only surviving Pratt drawing of the house, a crucial document in the history of English architecture.

What the visitor will see when the house is opened to the public in April 1986 is the Italianate creation of Barry and the great collector

and traveller William John Bankes (1788-1856). In many ways Kingston Lacy, now occupied only by National Trust staff, has become a country house museum. It was inevitable that the contents and decoration would be the focus, but it has been done with skill and taste.

Decisions about restoration and repair are taken by large numbers of highly qualified experts. The trust on the spot, the local historic buildings representative of the trust, is Mr Tony Mitchell. He has handled the house with great discretion and respect. He has an eye for the architecture of entire rooms, furniture, fabrics and colours and the great collection of pictures have been looked at as elements in the visual harmony of the house. It is probably fair to say that the house has never before

received such quietly sympathetic concentration or looked as immaculate.

There are some minor criticisms that have general application. Why do smoke detectors have to look so obvious? It is a pity that the stair ceiling was chosen as a spot for one—perhaps a chandelier is on the way to disguise it. The use of plaster on the stair treads is a little wrong. It would not have been made in such large sheets in the 1830s—I am sure those opening should be made.

The decision to remove the Guido Reni from the library ceiling—a rather overbearing painting of *David and Goliath*—is a matter of taste. I feel that it is an important feature for them to be lived in by as many people as possible. In motorway Britain they do have a future.

from his Continental exile sons of an exotic and rich palace. The beautifully restored Spanish Room has exactly maintained that favour—a stage set for a passionately conceived collection. Any thinning out of the collection or major rearrangements to suit contemporary taste has to be resisted.

It must, however, be said that the achievement of the National Trust and the comfort of knowing that 18,000 vulnerable acres are now secure for ever, outweighs any objections of taste.

One question will always remain. What is this great show house and estate for? The next step for the trust is to find ways for visitors to learn lessons from the past that can be applied today. It is a delicate and subtle process of education; the trust is perfectly placed to raise the aesthetic standards of the nation and Kingston Lacy is a beacon on that path.

Not all country houses are as safe as Kingston Lacy. SAVE Britain's Heritage has just published *Endangered Dwellings* (published by SAVE, 68 Battersea High Street, SW11 2B), a depressing account of 63 houses in danger.

Like Sir John Soane's Bell Well Hall in Shropshire, Carr of York's Tabbly Hall in Cheshire and Sir George Williams-Elles's Llanedoch Castle in Powys, built as recently as 1914, all face uncertain futures. The report tries to be positive, pointing out the success of several historic buildings trusts and the recent run of conversions of country houses into flats. *Endangered Dwellings* is indeed the enemy of these houses—to demolish them would be tragic. Here are 63 perfect opportunities for conservation and development. The trust has a role to play in this. In motorway Britain they do have a future.

G.R.C.O.P./Edinburgh Playhouse

Clement Crisp

from a listener fearful for his tympanum.

I have reported from Paris on this prime example of the New Brutalism, and space need not be wasted on listing its raucous vulgarities, which encompass the unmuted roar of Rhys Chatham's minimalist accompaniment for pain-threshold brass, and a series of angry and pointless encounters for 10 dancers which pass for choreography. Miss Armitage, in a programme note, seeks to sire the thing on Balanchine's *Slaughter on Tenth Avenue*; the putative father is more probably Attila the Hun.

The third American choreographer on offer is David Gordon (though he declares that he merely "constructs" his works). Beethoven and Beethoven, a recent construction, is an inoffensive little sequence of five couples clad in grey who manipulate grey wooden frames by Power Booth in a series of tiny games that are by turns joking, quiet, and occasionally satirical. What is noticeable is the use of the arietta from Beethoven's last piano sonata as accompaniment; the music is too serious to be deflected by Mr Gordon's choreographic whimsy.

Three other items in the programme indicate what passes for *recherche chorégraphique* at

the Opera, and they have an altogether too *recherché* air for the real world of dance. Jacques Garnier's *Auili* has three men in white outfits playing at follow-my-leader, with little folk steps and turnings, and tripping to the sound of an accordion, all of which deals with "the effect of the sea" and "the human life cycle." Messages also come in the largest available size in Garnier's second offering, a pas de deux to Webern's triple-distilled orchestral pieces, Opus 10, which are massively diluted as Anne Provost and Jean-Claude Clappara behave like acrobats in the throes of a messy divorce.

About *La couleur du secret* by Jean-Christophe Paré, a fine dancer in the troupe, I record that M Paré appears as a schizophrenic spectre of the rose to the accompaniment of four studies for drums by Elliott Carter.

Divided between violet and yellow, introversion and a desire to escape ("no greater than mine, I'll wait for M Paré and his heart of lovers of the Paris Opéra Ballet, or of contemporary dance.

Toscanini Competition/Parma

Paul Driver

Parma is not without its musical connections. Toscanini was born there, Paganini was entombed there, and Verdi lived not far away in Busseto. But it was only ten years ago that the city and its region, Emilia-Romagna, gained a fully-fledged symphony orchestra, one of 11 regional orchestras in Italy supported by central government. The orchestra, whose full name runs, not surprisingly, Orchestra Sinfonica dell'Emilia-Romagna "Arturo Toscanini", is actually double: there are full complements of older and younger players, an arrangement necessary to meet the demands on the organisation for theatrical as well as symphonic performances and regional touring.

It was the younger version which took part in the first Toscanini International Conducting Competition, launched as a tenth anniversary celebration of and by the Emilia-Romagna Orchestra, with support from the Ministry of Tourism and the Emilia-Romagna Region. The competition, which ran in two concerts last Wednesday and Thursday.

The competition was open to conductors under the age of 32. Thirty candidates were initially admitted, and they were reduced to 10 who took part in a "Specialisation Course" lasting nearly two months. During this time, they worked intensively with the orchestra on set works—the symphonies of Chalkovsky and Verdi's opera *Falstaff*—giving occasional performances in local towns. They then entered the semi-finals, and were reduced to three. For the final, each conductor chose and directed a Chalkovsky symphony—Wednesday's concert thus comprised two readings of the "Pathétique" with one of the "Three Symphonies".

Polish, between them—and (the following night) steered an act of *Falstaff* in a concert performance. The jury, consisting of distinguished musicians such as conductors Rudolf Barshai and George Sebastian and composer Goifredo Petrassi, made their pronouncement immediately after the opera. (The first prize-winner receives 15m, the second half that, the third 12m.)

The concerts took place not in the orchestra's usual home, the Teatro Regio di Parma, but in the Teatro Farnese—a part

of the sprawling, lofty 17th century Pilotta Palace—with its beautiful wooden loggia and tiers and its disappointingly dry acoustics. The woodwork was particularly audacious in the latter, sounding always scrawny and sour, though they are not in any case the orchestra's strengths, which, if anything, is its strings.

There was a sense of the demerits of the orchestra that chiefly struck me during the first of the "Pathétiques" and somewhat distracted me from the merits of the young German conductor Stefan Anton Reck, who had definite flair and a clear disciplined beat. He secured moments of good ensemble precision, but his too measured approach dispensed with the real passion of the work. The finale, for instance, came over as merely neat.

The Dane, Martin Elmqvist, delivered the same work with greater intensity and a more confident sense of its idiom; there was more mobility of texture, brio in his performance, even though the playing itself was not any better (the oboe caused a false start to the third movement) and the tutti sounded abrasive as ever. He had a mature presence that came over as a first-class address, and a well-rounded technique.

The Italian Carlo Rizzi brought to Chalkovsky's third and least distinguished symphony a conducting style seemingly compounded of bravado and naïveté. It was not the performance (not without a

good deal of unfocused woodwind playing and some strident climaxes), but did not avail him in making the case for the score's rhetorical stretches or in adding to the charm of its occasional moments of grace. His manner lacked delicacy and persuasiveness in spite of what one felt to have been his conscientious effort to acquire those qualities. He had an ungainly habit of shaking his left fist in the air. He seemed on a lower level of technical competence than the other two.

He was selected to conduct the first act of the *Falstaff* concert performance which had an agreeable roster of singers, many of them British (Robert Poulton in the title role, Alexander Gaudl as Ford, Maria Temes, Alice Alessandra Rossi, Marnetta). Really, perhaps, he did it from memory (the previous night all three contestants had been scoreless; on this night the other two were prudent; lack of cohesiveness, vitality and atmosphere, in orchestra and vocal departments alike, was at any rate, the outcome.

As the evening progressed the temperature of the performance and its musical perception increased. The Dane directed Act 2, the a first-class address, and judges rightly, in my opinion, decided there was no deserving first prize-winner; but, wrongly, I think, included the Italian phony a conducting style seemingly compounded of bravado and naïveté. It was not the performance (not without a

Piano & percussion/Purcell Room

Dominic Gill

The original programme plan for Friday's concert of South Bank Summer Music was a neat one: a work for two pianos, a pair of pieces for percussion ensemble, capped by Bartok's *Concerto for Piano and Percussion*. Unfortunately one member of the piano duo, the French pianist Jean-Philippe Collard, fell sick at the last minute; and his partner, Nelson Freyre, was let to fill the gap as best he could.

As it happened, that best was very fine. Instead of playing Rakhmaninov's second Suite for two pianos with Collard, Freyre played with a solo performance of Chopin's 24 Preludes. It was, and sounded like, a short-notice account—but it was one in which the advantages of prompt delivery easily outweighed the disadvantages. There was a splendid freshness and spontaneity in the sequence, and the kind of relaxed intensity which only such informality can bring. Occasionally one sensed a lack of

sharp, precise focus that would otherwise have been present: the speed of one or two of the faster Preludes was more hectic than deliberate. But the whole performance had great character and a fine sense of ensemble.

Of the two pieces given by a percussion group of six players under the direction of Tristan Fry, a Tocatta by the Mexican composer Carlos Chavez has an interesting history (it was commissioned in 1941 by John Cage), but less interesting substance: noisy but fun. Leonard Saitzedo's *Disenos* by contrast was no fun at all, and almost spoiled the evening with a solo performance of Chopin's 24 Preludes. It was, and sounded like, a short-notice account—but it was one in which the advantages of prompt delivery easily outweighed the disadvantages. There was a splendid freshness and spontaneity in the sequence, and the kind of relaxed intensity which only such informality can bring. Occasionally one sensed a lack of

BBC Symphony/Albert Hall

David Murray

It is always reassuring to know that a concert is to be conducted by Sir Charles Groves, as the BBC Symphony's Prom was on Thursday. Nothing violent or perverse is going to happen, nothing rashly experimental, and the programme is going to be allowed to speak for itself, and Sir Charles is not going to get in the way. His method does not always produce exciting concerts, but it can do and the quantity of good musical sense that goes into his work shows itself in the natural, unforced music-making he generally inspires.

Thursday was good Groves, which meant it was good Chausson, Wagner, Brahms and Fauré too. The dark churning of Wagner's early "Faust" Overture were decently urgent, and its thrifty sonorities were made vivid. It will have been new to many Prommers, and they heard a very fair account of it. We got Fauré's *Clair de lune* without its mini-chorus, as usual: the sung texts are not so superfluous as is often

claimed, for they add point to the piece, but without them it always exerts its gentle charm. Jessye Norman was a noble soloist in Chausson's *Poème de l'amour et de la mer*, indicating its tremulous sentiments without a single tremulous note. Not for the first time, her scrupulous French consonants punctuated her line a little too sharply, but she sustained the melodic arches so confidently that it hardly mattered. Groves was, of course, a most faithful accompanist, and he drew lovely chording from the BBC winds.

But for a risk that the opening Allegro non troppo would decline into Moderato, the Second Symphony of Brahms was excellent Groves. Its mostly sunny character was unshadowed, and it had as much singing clarity as vitality. The climaxes were smoothly and satisfyingly built, perfectly satisfying without recourse to fortissimo blaring, and tricky things like Brahms' ambiguous rhythmic play in the Scherzo sounded easy and graceful.

The Marriage of Pantalone/Elizabeth Hall

Rodney Milnes

On paper an entertainment mounted jointly by the Consort of Musicke and La Familia Carrara looks like a sure bet. The Consort, an early music ensemble of bluntness, respectability, and the Italian troupe's commedia dell'arte routines are authentically earthy (the final pay-off gag about onanism was a teasingly drawn out as the actors' faces as funny). But in the event, which formed the climax to John Williams's South Bank Summer Music, the combination worked well, far more carefully planned than Anthony Rowley's disarming programming note suggested, and, like one of those old wireless variety shows, offered something for everyone.

Five commedia episodes were interspersed with and framed by musical interludes from the Consort. Often the musical numbers (Monteverdi, Vechi, Gabrieli, Lasso et al) bore sufficient relevance to the dramatic action for the actors to mime to them, and even when they didn't, purely musical pleasure easily outweighed potential impatience—Emma Kirkby's exquisite singing of Monteverdi's "Lamento della ninfa" was a case in point. The early and Germanic songs (Lasso and Anon) were properly tasteless, and while it was difficult to judge the exact degree of intentional "English ghastliness" of Ravenscroft's "Savage and Foul" and "Hodge and Malkin" in this context, they made an unanswerable case for

retrospective emigration to hotter climes. But despite consistently fine playing and singing from Mr Rowley's Consort, with a little help from the York Waits for the carter's movements, the commedia acts were the meat of the evening. The plot of *The Marriage of Pantalone* naturally drew out as the actors' faces as funny. But in the event, which formed the climax to John Williams's South Bank Summer Music, the combination worked well, far more carefully planned than Anthony Rowley's disarming programming note suggested, and, like one of those old wireless variety shows, offered something for everyone.

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both as the servant Zanni and as the dog-Latin speaking Doctor (Cost cross-references proliferated) using his costume panache as a deadly weapon. Whether in or out of half-mask, his features were always expressively mobile, and his stumbling excursion into the audience and lighting remarks across the top of the stage were a piece of virtuoso physical control. Pantalone was played, entrancingly and unauthentically, by a woman—Argia Laurin—and the fact that I failed to twig until reading the programme afterwards is tribute enough to her skill as a mime. Fatuousness and pathos were adroitly mixed. Annalisa Pavesio (Isabella), Carlo Presotto (Ottavio), and Pientugi Cecchin (Franceschina) more readily detectable (though less) than the material and dealt with it efficiently. A wholly delightful evening.

Bass Clef celebrates

The Bass Clef in Coronet Street, London, NI, has established itself firmly in the last year as a major venue for jazz, as well as for African and Latin music. It celebrates its first birthday this month with a series of special events. Among these are four BBC recordings for its Sunday night *Sounds of Jazz* programme (September 12, 13 and 20), plus a tribute to famed British saxophonist Tubby Hayes by the Pat Crumly/Steve Rubie band (25).

Additionally the Musicians' Union is sponsoring Wednesday evening sessions by larger ensembles. Time Out sponsored the Don Walker/Bryan Spring quartet last night, while City Limits is supporting the September 29 appearance by the Gordon Berg quintet. Blue Note Records are, unsurprisingly, backing the September 24 session which features the quintet Blue Note Revisited. Full details from: 729 2476.

The Compleat Berk/Half Moon

Antony Thorncroft

Three men, dressed in vaguely Chinese costume, approach the front of the stage and smile at the audience for a long time. There is some nervous tittering. Then one man takes a far marked "peas" and proceeds to pour them into the ear of his companions, holding them in with Sellotape. When all are peered to the rim they lean around. For a climax the peas are removed, one emerging from the nostril of one performer.

This is the Moving Picture Mime Show and if this sketch catches your fancy you will enjoy their 70 minute act. There seems to be little disagreement about performance art—you either like it or you groan with boredom.

For some reason these 10 or so scenes are graced with a theme. Samuel Gridley Berk is supposed to be a Victorian anthropologist who collected rituals of primitive people; we are watching a collection of such rituals. It offers some excuse for the goings on and at least one ritual is finely caught—in certain industrialised countries, the faithful gather twice a year to witness the power of tribal garments.

In other words a fashion show, and Paul Phillips, Toby Sedgwick and David Gains nicely capture the posturing of models on a catwalk. But then there are delightful moments spent watching them trudge across the stage with buckets on their heads, pretending to be Babylonians, which means aping Wilson, Kepple and Betty. Near the end, perhaps catching the mood

of the audience, they send themselves up: "What is this supposed to be about?" enquires Sedgwick as the three gyrate like India rubber men. "Search," says Gains, and they go on contorting their bodies. The Moving Picture Mime Show are attractive performers with an impressive command of their movements. They break away from the rigidities of mime and talk occasionally, forgetting all about Berk and dual and gaining in humour in the process. They also know when to stop: one of the many drawbacks of most performance art is its absence of the climax. But the only time my lip twitched was when Sedgwick was a rather of bacon. For the rest it was cold ham.

Opera North's autumn season

A Mozart classic, a rare Bellini opera and a new production of Sir Michael Tippett's *The Midsummer Marriage* make up Opera North's autumn season which opens on Saturday, September 14 at Leeds Grand Theatre. Bellini's *I Puritani* will be presented that evening.

September 20 sees the return for two performances only of Mozart's *The Magic Flute* while *The Midsummer Marriage* opens on Monday September 30. All three operas will also be performed in October at the Palace Theatre, Manchester, the Theatre Royal, Nottingham and the New Theatre, Hull.

Musical/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Arts Guide

Music

LONDON

BBC Symphony Orchestra and BBC Singers conducted by Dennis Russell Davies with Elaine Barry, soprano and Michael Collins, clarinet. *Bernini*, *Requiem*, *Mass*, *Ann*, *Copland*, *Gershwin*. Royal Albert Hall (Mon), (8.00.12).

City of Birmingham Symphony Orchestra conducted by Simon Rattle with Jessye Norman, soprano and Jon Vickers, tenor. Haydn and Mahler. Royal Albert Hall (Tue).

London Sinfonietta and London Sinfonietta Violins conducted by David Atherton. *Janacek*, *Wail*, *Hansel and Gretel* and *Bartok*. Royal Albert Hall (Wed).

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy. *Piano*, *Brahms*, *Beethoven* and *Prokofiev*. Royal Albert Hall (Thurs).

SPAIN

Santander, Plaza Portuense. The Academy of Saint-Martin-in-the-Fields, conducted by Kenneth Saito. *Händel*, *Bach* and *Dvorak* (Wed). (21.05.08).

PARIS

La Grande Halle de la Chambre du Roy, BVV Choir. *Bach*, (Mon 8.30pm). Saint-Severin church. *Dina Wuzman*, piano: One Hour with the Netherlands Chamber Choir under the baton of Kenneth Saito. *Händel*, *Bach* and *Dvorak* (Wed). (21.05.08).

Frank (Tue 8.30pm). Salle Pleyel.

Jean Guéhen, organ: *Bach* (Wed 8.30pm). Saint-Germain-des-Près Church. *Brahms* Orchestra, *Bach* Choir from Antwerp. *Bach*. All these concerts are part of the 30th Festival Festival de Paris (24.09.08, 20.09.08, 11am-7pm, Sundays excepted).

NETHERLANDS

Amsterdam, Concertgebouw. Bernard Haitink conducting the Concertgebouw Orchestra. *Bizet*, *Debussy*, *Beethoven* (Wed). *Recital* Half: *Cuba* Festival with Maarten Bon, piano, Frans Brüggen, recorder, Ben de Reede, Gert Robbe, guitar, guitar, the Netherlands Wind Ensemble and the Raphael Quartet (Mon, Tue). *Lomachino* concert by the Filarmonica Ensemble (Wed). (21.05.45).

Amsterdam, Curie Theatre. *Antologia de la Zarzuela*, with 100 dancers, singers and musicians from Madrid (Tue, Wed). (22.05.25). Utrecht, Muziekcentrum Vredenburg and other locations. Festival of Old Music, with the emphasis on early polyphonic music, the Baroque, and late 18th and early 19th-century compositions for the fortepiano. Participants include Musica Antiqua of Cologne, the Tallis Scholars, the European Baroque Orchestra, the Netherlands Chamber Choir under the baton of Kenneth Saito, the Ton Koopman, Richard Burnett and Geoffrey Douglas Madge (Bartok-piano), and La Filarmonica Opera of Paris. Many other activities, includ-

Aug 30-Sept 5

VIENNA

Vienna Hofburg Orchestra conducted by Gert Hofbauer. *Wagner* and *Light Opera*. Musikverein (Tue and Thurs).

Vienna Bach soloists and choir conducted by Ernest Weidman with Monika Lenz and Yoshiko Tanaka, soprano, Julia Geister, alto, Martin Kietmann, tenor, and Ernst Jankowitsch, bass. *Missa* (Mon and Thurs). *Chamber Music* with Hans Martin Linder, recorder and Baroque German flute, and Konrad Ragossnig, harpsichord. *Handel*, *Telemann*, *Sorli*, *Minuet* (Mon). (Tue).

St Paul's Cathedral, choir from New Zealand. *Purcell*, *Byrd*, *Bruckner*. *Brünn*. *Karlshof* (Wed).

CHICAGO

Bavaria Festival: Peter Serkin (piano) recital: *All-Bach* programme (Tue): *Yo-Yo Ma*, cello and Emanuel Ax, piano. *Beethoven*, *Frank*, *Brahms* (Wed): *Finches* *Zukerman*, violin and viola with Marc Neikrug, piano. *Schubert*, *Stravinsky*, *Mozart*, *Brahms* (Thurs). *Highland Park* (22.05.42).

TOKYO

Chio-Liano Lin (violin): *Stravinsky*, *Beethoven*, *Grieg*, *Sandra Rivers*, piano. *Shaw* Women's University. *Hilfoni* Memorial Hall. (Tue). (20.05.51).

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Monday September 2 1985

The espionage jungle

THE SPY scandal in West Germany is an extraordinary case of espionage in more ways than one. The extent of the damage caused by the defection of one of Bonn's chief spymasters remains a matter of conjecture. Potentially, at least, it is great. No less awkward is the secondary effect upon the NATO alliance. At a time when Washington and the European allies are at odds about many issues outside the security field, the impression conveyed that a key member of the alliance may be less than reliable is extremely disturbing.

Screening

Bonn must do everything in its power to put its house in order. The dismissal of Herr Heribert Herrenbroich, head of federal intelligence, is a necessary step. It is not an argument for closing down all secret services, but for keeping them on a tight leash and concentrating upon essentials.

Because of its strategic position, West Germany has been a happy hunting ground for intelligence agents of all colours and nations. East Germany, especially, has made efforts there out of all proportion to the possible rewards. It is, for instance, most improbable that a spy planted in a refugee organisation could provide East Berlin with information beyond what is accessible in the public prints. Yet one of the women secretaries who have disappeared recently in Bonn worked in just such an organisation.

Altogether the James Bond 007 stuff may often make better reading than its real value. Precisely what could France hope to gain from sinking the Greenpeace ship in New Zealand if, as looks increasingly likely, French agents had a hand in the affair? This is not an argument for closing down all secret services, but for keeping them on a tight leash and concentrating upon essentials.

Moral

No power will renounce cloak and dagger since there are advantages to be gained. We know that information stolen in the West and the Soviet Union to build its nuclear bombs sooner than would otherwise have been the case. We know that as a result of the latest case to be published in the U.S. the American navy has fears for the safety of its submarines.

So intelligence and counter-intelligence will remain important activities for the West, too. But governments must ensure that their agents steer clear of unnecessary or potentially damaging freelance activity as is alleged in the Greenpeace case.

The moral — if one can speak of a moral in so murky a business — is that political control must be made as tight as possible, both to prevent adventurism and to ensure that someone can be held responsible in cases of lax security. That was not the case in Bonn where ministers were kept in ignorance of the case until it was too late for them to do anything to prevent it.

Hidden issue in AUEW row

UNIONS IN any democratic country generally support the Left of centre party or parties: they are usually chary, though, and are increasingly so, of becoming too bound up with their parties. The British TUC and the Labour Party remain closely tied, for historical, financial and political reasons; but the affair of the Amalgamated Union of Engineering Workers which now threatens to dominate the TUC congress in Blackpool this week illustrates that it is not necessarily to the advantage of either, and that the link may be weakened with benefit to both, and to the country.

Principle

The obvious crisis which confronts unions is not, but is closely linked to, an issue of great importance. The momentum which is gathering behind the expulsion of the AUEW makes a continuing dialogue with the TUC, its relationship with the Labour Party, and especially with a future Labour Government.

The AUEW has found itself enmeshed in the TUC's disciplinary process by flouting the "principle" adopted with other at the Wembley Special Congress in April 1982 — that unions must not take state aid for postal ballots, available under the 1980 Employment Act. The engineers' union has done so, supporting its action by gaining a 12-1 vote from its members in favour of it. No one — including the engineers — pretends that the AUEW has done other than break the rules. The question is why, and for what end does the TUC wish to assert its authority?

Discipline

The AUEW argues that the Wembley principles are rendered irrelevant by the passage of time: defiance of the kind proposed failed then, and is out of the question now; and the principles are in any case breached in letter and spirit by many unions who are not on closed shops, change their rules to accommodate them to legislation and ballot on political funds.

The TUC, however, argues that the AUEW has taken the only fully conscious decision at national executive level to break the strict letter of a

Wembley principle. This cannot simply be winked away for the sake of peace, or the necessary collective discipline is negated. This is seen as especially important because some at least on the general council want to see collective discipline asserted so that it can be used to whip into line those unions which may find any understanding between the TUC and the Labour Party on incomes inconvenient.

But is it really likely that an incomes policy (however it might be described) based on a close relationship with the unions, will be the centrepiece of a future Labour government? The future last time round was not just because the policy was "too strict" or "too loose," but largely because the institutions and culture which would have supported it do not exist in this country. We do not have central authoritative wage bargaining, co-ordinated by the Government, the TUC and the Confederation of British Industry; whenever a government wishes to push the other two into such a system, it discovers again that they have not the levers to pull which will deliver anything effective over a long enough period of time.

Unworkable

The TUC has lost much of its centralising authority since the late seventies: it is not really sought.

The whole incomes policy argument then, apart from the predictable tussle between the two wings of the movement stretching up to the next election, may simply be a false argument over unworkable arrangements. Better for the Labour Party to disengage to state its own social and economic objectives; to make clear its industrial and employment policies; to seek agreement with the unions where it is genuinely possible, but to forget what has been tried and failed. It could then begin to take a more pragmatic view of the present splits within the TUC. The party could avoid being seen as the mere creature of union leaders — whose own authority is often not strong; and it could convincingly represent itself once more as a party of government; and the TUC might worry less about a collective discipline it is increasingly powerless to enforce.

CHADDERTON, a dilapidated factory suburb of Manchester, looks an unlikely rival to California's Silicon Valley. Yet here, among the decaying relics of Britain's industrial past, is the birthplace of a microelectronics innovation which has created one of the fastest growing high-technology markets of the 1980s.

The author of the breakthrough is Ferranti's electronics division, modestly headquartered in a converted textile mill on Industry Street — appropriately a very short street indeed. Its achievement was to pioneer more than a decade ago a technology known as gate arrays, which enables microchips to be designed and built to specifications laid down by individual customers (see box).

Initially gate arrays, also known as semi-custom components, occupied a fairly narrow niche in the semiconductor market but in the past five years demand has exploded. Total sales of semi-custom devices soared by 50 per cent last year to \$938m and will reach \$3.6bn by 1989, according to market research firm Dataquest.

Yet Ferranti has captured only a small part of that growth. Though it is still among the world leaders and makes handsome profits from the business, its share of the world market has fallen to around 10 per cent from 30 per cent five years ago, and it is no longer No 1 supplier. Its gate array sales were overtaken last year by Motorola and newcomer LSI Logic of the U.S. and by Fujitsu and NEC of Japan.

For Ferranti's critics, its slippage is a missed opportunity of a kind which Britain's electronics industry can ill afford if it is ever to make more than a minor role on world markets. It is also a textbook example of how Europe's lag in high-technology industries is often due much more to management and investor attitudes than to a shortage of good technology.

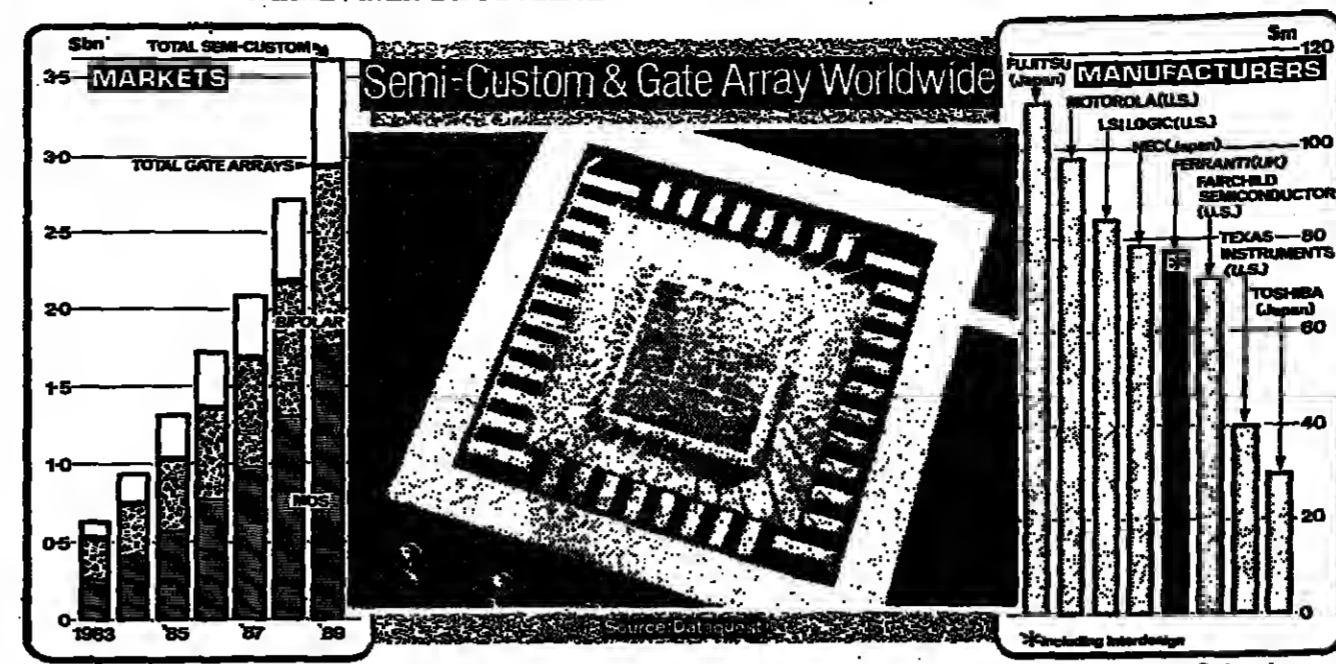
"Ferranti had a five-year world lead and they're in danger of blowing it," according to a senior executive of another large UK electronics firm. He, like some other critics, fears that unless Ferranti becomes much more aggressive, it risks sliding still further down the league table in the next few years.

Dr Alan Shepherd, managing director of Ferranti Electronics, admits to a conservative management philosophy. He insists that it was unrealistic to expect a company of Ferranti's size to continue to dominate such a rapidly expanding market, which has attracted almost 100 competitors and is subject to increasingly severe price competition.

The Ferranti group's total turnover — which also includes defence electronics, computers and medical equipment — rose 15 per cent last year to £568m. That is quite small in international terms and, according to Dr Shepherd, allows little margin for risk-taking. "Do we want to be a world semiconductor leader?" he asks. "The answer is, we can't afford to. We have never been able to go for growth at the expense of high profitability."

Ferranti has nonetheless not been standing still. It has spent more than £20m in the past

THE MICROELECTRONICS INDUSTRY



How Ferranti's world lead slipped away

By Guy de Jonquieres

three years to double production capacity and is expanding its development facilities. Its current capital investment budget is about £15m a year.

Its total component sales rose 35 per cent to \$88.9m last year, producing a 61 per cent increase in operating profit to \$10.9m. Semi-custom business is not broken out precisely but is said to have grown by more than 40 per cent last year to exceed \$50m, most of it with customers other than Ferranti.

Demand for semi-custom components has been largely unaffected by the recent deep slump in sales of mass-produced "standard" microchips, which form the bulk of the semiconductor industry's output.

Ferranti's own order book remains strong: at the start of this year, it amounted to 60 per cent of production capacity.

However, customers have begun to stretch out delivery schedules and the company has also felt the impact of the financial troubles of personal computer companies. Acorn and Sinclair Research, which at their peak accounted for 15 per cent of its semi-custom turnover, as a consequence, Dr Shepherd expects lower growth in sales and profits this year than last.

About half Ferranti's semi-custom business is in Britain, where the company includes ICL, Jaguar Cars, and almost a third in the U.S., where it bought Interdesign, a small chip-maker in 1977. In West Germany, Siemens, Bosch and Nixdorf Computers are major clients. Ferranti also has an operation in Hong Kong and is discussing a plan to set up a Chinese joint venture with

authorities in Guangdong province.

But competitors are running just as fast — or even faster. They include heavyweight chip manufacturers such as Motorola, Texas Instruments and Intel of the U.S., and Fujitsu, Hitachi and Toshiba of Japan as well as several European companies. Intel, a leader in "standard" chips, expects semi-custom and other "application specific" components to account for almost a third of its turnover in a few years.

Probably the brashest and most aggressive contender is LSI Logic, which has grown at

A LOW-COST BREAKTHROUGH

MOST TYPES of microchip are mass-produced to fixed specifications, requiring customers to design their equipment around them. The components must then be programmed to perform the required functions.

Ferranti's breakthrough was to develop a device, known as an uncommitted logic array (ULA), which could be tailored easily to do a specific task. This was achieved by making a chip with several layers of standard circuitry but leaving the top layer "uncommitted" so that the circuits on it could be joined up to suit individual customers' needs.

The technique offers much of the flexibility of bespoke "full custom" chips, with all their circuitry laid out to suit individual customer's specifications, but at much lower cost. A single ULA can do the job of several mass-pro-

duced components, and because its design is embedded in silicon it cannot be easily copied.

The biggest impetus for the boom in demand for ULAs and other types of gate array devices has been the dramatic advance in computer-aided design techniques in the last few years. These have reduced sharply the time needed to lay out circuits and have made it economic to produce the chips in much lower volumes.

In the process, the dividing line between "semi-custom" and "full custom" chips has become blurred, and may eventually disappear altogether. For instance, European Silicon Structures, a company whose formation is reported in today's Financial Times, aims to use advanced technology to make custom chips which will compete directly with gate arrays.

Some in the industry maintain that Ferranti also suffers from handicaps of its own making. They cite in particular its insistence on sticking exclusively to its particular type of chip technology, which uses a process

known as bipolar, when most of its competitors are using a newer process called CMOS.

Enthusiasts of MOS chips claim that their low power consumption makes them more convenient. Ferranti insists that MOS advantages are overstated, and that chips at its own bipolar process can operate much faster. In any case, the company says, customers are interested chiefly in what chips can do, not how they do it.

However, the market battle appears to be swinging against Ferranti. Sales of MOS semi-custom chips overtook those of bipolar components in 1983 and are expected to account for almost two-thirds of total sales by 1990, according to Dataquest.

British consumer electronics manufacturer Amstrad and Acorn Computers, which have used Ferranti chips extensively in the past, have both turned recently to rival suppliers for new products. "We'd like to do more business with Ferranti, but we don't seem to have been able to hit it off with them lately," says Mr Alan Sagar, Amstrad's managing director.

He says Amstrad's decision was influenced partly by price — its latest order went to NEC by far the lowest bidder. But equally important was the fact that several other manufacturers were capable of making identical chips, providing Amstrad with greater security of supply.

This breadth of choice is due to "second sourcing" agreements, under which semiconductor companies license their technology to make each others' products. Such agreements have proliferated among makers of MOS semi-custom components in the past few years. But Ferranti's customers have no alternative source of supply because no other company uses the same bipolar technology.

"We plough a lone furrow," says Dr Shepherd. But he stresses off suggestions that Ferranti's policy is far from business. He says it is content to leave MOS suppliers to slog it out at the popular end of the semi-custom market, where margins are typically eroding. Ferranti believes its future lies in specialising in more sophisticated applications.

It is confident of achieving further technical advances thanks partly to a recent development contract with the UK Defence Ministry and to collaboration with Lattice Logic, a small Edinburgh-based company specialising in advanced chip design techniques in which it has a 10 per cent stake.

Dr Shepherd argues that Ferranti should not be bracketed narrowly as a gate array manufacturer. Its real strength, he says, is not limited to a particular type of chip but lies in its skill at putting all kinds of electronic circuit designs efficiently and economically on to silicon.

The company's technical expertise is widely respected. Opinions remain, however, on whether its quiet surrender of overall leadership of the market it created was commercially prudent or reflected instead a lack of vision and determination. Either way, few companies get the kind of opportunity which Ferranti had to establish a commanding position in a world-beating new technology. It seems unlikely to occur again soon.

Pickens stables his war horse

There must be several chief executives in the U.S. oil industry who will breathe easier following the news that T. Boone Pickens, the Texas oil man, liquidating his Mesa Petroleum by turning it into a limited partnership.

Mesa will no longer be used as a war horse for Pickens' daring corporate raids against the giants of the U.S. oil business. Alan Edgar, a Dallas oil analyst who has followed Pickens' moves closely, says that it is certain that the reorganisation is Mesa's "grand finale."

"Mesa will ride into the sunset and Pickens will become a private merchant banker," says Edgar.

Several reasons have been advanced for Pickens' decision to quit at a time when even he admits that there is plenty more restructuring to be done in the U.S. oil industry.

Pickens says he "got weary of Mesa putting up 100 per cent of the money and taking 100 per cent of the risk and the beat" in return for receiving only 15 per cent of the profits arising from his corporate raids on companies like Gulf, Phillips Petroleum, and Unocal.

However, the main reason why Pickens is terminating the company he founded is because it has been suffering from the same complaints that have been afflicting many of Pickens' oil industry targets. Mesa's shares have been trading at around \$14 while the company's break-up value was close to \$20.

In spite of Pickens' brilliant career as a corporate raider Wall Street has always been nervous of the risks that he has taken with Mesa's balance sheet. And, as a result, Mesa's share rating is far from the top in the oil business.

Men and Matters

The consensus view now is that Pickens has given up all pretence of being an "oil man" and will soon return to Wall Street as a wealthy financier. Last year he received \$22m in bonuses from Mesa — almost twice as much as the rest of the shareholders received together. His own stake in the company is worth more than \$100m.

A minority of Pickens-watchers believe he has his eye on the governorship of Texas which will shortly be up for grabs. "At this time I have no political aspirations," Pickens says. But he is quick to correct the misconception that his recent key role in Reagan's re-election campaign was confined to Texas.

"I had seven states," he says with pride.

Good for a loan

Housing finance is still his business, but Richard Lacy is leaving behind the consumer end of the market where he made his name.

After only a short spell as chief general manager of the Birmingham and Bridgewater Building Society he is moving across to head the newly-formed National Home Loans Corporation, which plans to take over the loan books of local authorities and other financial institutions.

Former colleagues in the building society industry have not made up their minds whether to think of Lacy as a loss to the movement, or one of those infant terrible characters that rattle their smooth waters from time to time.



"Wait until Jimmy Knapp finds out the ghost train doesn't even have a driver."

In his days in charge of marketing at the Leicester Building Society he made his competitors shiver with innovative products such as the Leicestercard — and he won the society a public profile it had never known before.

But the road to the top was blocked for Lacy, aged 42, with Scott Durward, who will run the enlarged Leicester after its merger with the Alliance, only a few years ahead of him. After four years Lacy left to run his own show at the much smaller Birmingham and Bridgewater.

Lacy's new post will keep him in the West Midlands. Building society chiefs in the area would be well advised to be particularly nice to their staff as he builds up his new team.

Reluctant genius

An artist will be able to move out of his garret into modest prosperity this week as the winner of the £25,000 Athena International Art Award, the biggest arts prize in the country.

But whether Terry Maher, chairman of Athena, is entirely happy with his excursion into arts sponsorship is a moot question. As well as making the lives of artists easier, Athena is looking for new products for its poster business.

In the event only two of the 92 pictures chosen by the judges for an exhibition at the Mall Galleries are regarded as commercially exploitable — a placid landscape by Chris Wild, and a Roman invading Britannia by Tom Dewhurst.

In a side room at the galleries a 24 room will be shown. They are the ones that Athena will reproduce but which the judges, including Lord Annan, Bridge Riley, and Norman St John Stevens, considered too brash to merit a public display.

There must also be disappointment at the quality of the draw. Of the 1,600 entries the 92 selected fell far short of the 300 or so originally envisaged for exhibition.

The art world reckons that artists, for all their presumed poverty, are suspicious of sponsored competitions.

Next year Athena might well be back. But it expects it to switch its cash incentives to a hunt for the best photographic genius.

Fitness test

Joggers are being promised a new computerised running shoe that can be plugged into an IBM computer after each outing for a complete analysis of the run.

Computer News clearly regards the development as a somewhat frivolous application of technology and suggests the logical extension, "Shoes which go round and round the park by themselves like the Invisible Man."

Observer

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE OF THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCKS ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON MONDAY, 2ND SEPTEMBER, 1985.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 30th August 1985, and has issued to the Bank, additional amounts as indicated of each of the Stocks listed below.

£100 million 3 per cent TREASURY STOCK, 1989
£150 million 3 per cent TREASURY STOCK, 1990

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 30th August 1985 as certified by the Government Stock Exchange. In each case, the amount issued on 30th August 1985 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions of its prospectus (save as to the particulars therein which relate solely to the issue of the Stock), and subject also to the provision contained in the paragraph of this notice: the current provisions for Capital Gains Tax are described below. Copies of the prospectuses for the Stocks listed above, dated 4th April 1985 and 14th June 1985 respectively, may be obtained at the Bank of England, New Issues, Woolwich Street, London EC4M 8AU.

Application has been made to the Council of the Stock Exchange for each further tranche of stock to be admitted to the Official List.

The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	Redemption date	Interest payment dates
3 per cent Treasury Stock, 1989	15th May 1989	15th May
3 per cent Treasury Stock, 1990	8th May 1990	8th May

The further tranches of 3 per cent Treasury Stock, 1989 and 3 per cent Treasury Stock, 1990 will rank for the interest payments of £1.7915 per cent and £1.1550 per cent due on 15th November 1985 and 8th November 1985 respectively on the existing Stocks.

Each of the Stocks referred to in this notice will be specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as a gilt-edged security (under current legislation after 2nd July 1986, irrespective of the period for which the Government statement).

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interests of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes specifically affecting the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank, that no responsibility can therefore be accepted for any omission to render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
30th August 1985

FOREIGN AFFAIRS: NUCLEAR TESTS

The silly season excels itself

By Ian Davidson

AUGUST used to be known as the silly season, because newspapers could be seen in ridiculous stunts to try to sustain sagging reader-interest during the holidays. It may be something to do with the lousy weather in northern Europe, but this year the silliness of the season has been amply supplied, not by the inventiveness of news editors but by the grotesqueness of events in the real world. Most grotesque by far has been, and remains, the Greenpeace affair or Triton fiasco.

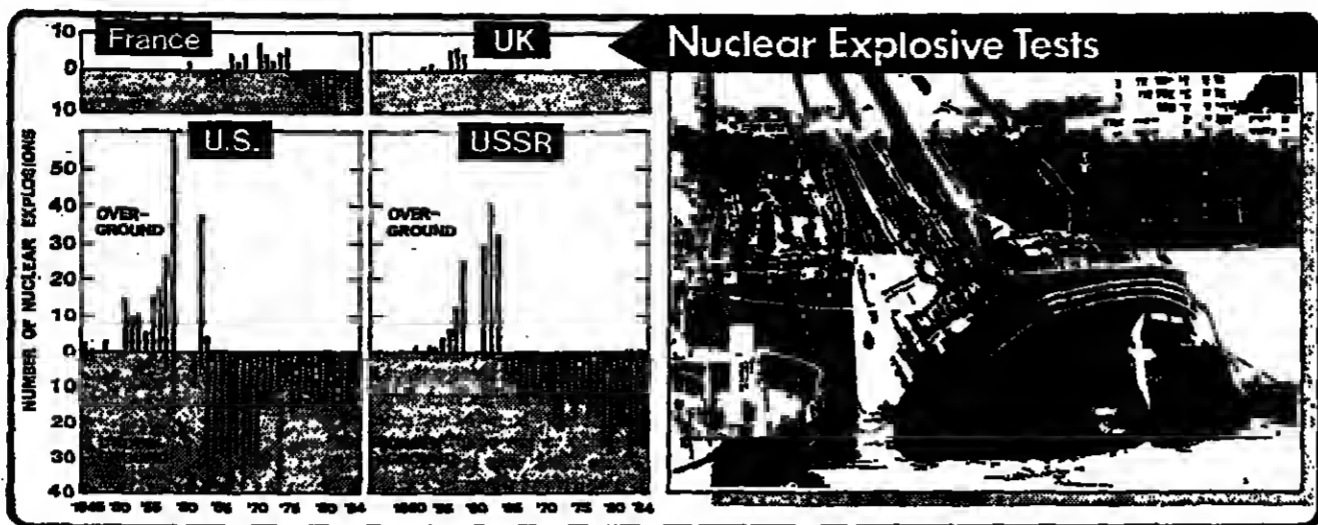
Admittedly, the competition has been intense: the British and American Governments, while our backs have been half-turned, have been particularly assiduous in misbehaviour and trivialising affairs where serious issues are at stake and rendering themselves, in the process, entirely ridiculous.

While the South African crisis deepens, with incessant

The chorus of derision and incredulity

killings and arrests, President Ronald Reagan emerges on top form to claim that Mr P. W. Botha's reforms have largely eliminated racial segregation in that country. Tasty corrections follow from embassies and bureaucrats in Washington. Not to be outdone, Mrs Thatcher's Government insists, almost alone in the civilised world, that economic sanctions are not an appropriate response to the state of emergency in South Africa: what is required is more prosperity. It does not take long for the markets to start imposing their own sanctions.

Moscow scores cynical propaganda point by announcing a five-month moratorium in Soviet nuclear testing as from August 6, the 40th anniversary of the dropping of the first atomic



bomb on Hiroshima, and suggesting that the Americans match the move; the gambit is hopelessly flooded by the Americans.

First they pour scorn on the Soviet proposal, claiming it has only been made because the Russians have just finished their current series of tests, including three in the week before the deadline. Then President Reagan appears to suggest a moratorium which would be permanent not temporary, but only after the U.S. has completed tests on its next generation of nuclear weapons, the single-warhead Midgetman missile.

In reality, the Soviet offer is not worth much, except as propaganda which may impress some countries in the Third World. A five-month pause can have very little impact on a weapons programme which has already chalked up a grand total of over 550 nuclear tests; and the last time there was a testing moratorium, observed by the Soviet Union, the U.S. and the UK (but not France), from 1958 to 1961, it was broken unilaterally by the Soviet Union with 40 explosive tests over eight weeks. (The U.S. claims this was the largest series of high-yield nuclear tests ever conducted; but in the year before the moratorium, the U.S. conducted over 75 tests, 50 of them in the atmosphere.) Nevertheless, even as propaganda, the Soviet proposal is at least consistent with its declaratory policy of seeking a negotiated ban on all nuclear testing.

Much more peculiar, if Presi-

dent Reagan is to be taken seriously, is the American counter-offer of a permanent moratorium after the pending series of tests. From 1977 to 1980 the two superpowers and Britain engaged in negotiations on a comprehensive nuclear test ban and made considerable progress; but after the 1980 presidential election, the incoming Reagan administration took a much less enthusiastic view of the whole idea, and in 1982 decided against a resumption of negotiations. Ostensibly, a comprehensive test ban is still a long-term objective of the Reagan administration; but it claims that under existing arrangements such a ban would be insufficiently verifiable. In reality, the administration also believes in the need to keep testing nuclear weapons.

Which brings us to the Greenpeace fiasco. At first sight, it looks like an episode in the nuclear testing, while casting France, a nuclear power, in the role of bully and international terrorist. It does indeed seem incredible that the French political authorities could have been so crass as to have sanctioned such an operation, but that is the way it must seem without much more credible information.

Fourth and most important, the sinking of the Rainbow Warrior is not the end of anything, whatever was responsible. It is merely an event which heightens the stakes in the continuing struggle by Greenpeace to draw public attention to, and if possible disrupt, the French nuclear testing programme at

its Mururoa atoll in the Pacific. President Mitterrand has publicly and pugnaciously ordered the French armed forces to repel all intruders from the test zone, by force if necessary; indeed, the French have used force against Greenpeace in the past. But in the wake of the sinking of the Rainbow Warrior and the killing of the Dutch-Portuguese photographer, it will be politically more difficult for them to sink the replacement vessel, the newly-named Greenpeace. Which brings us back to the central issue of nuclear testing.

The international arms control regime has two cornerstones: the 1972 Anti-Ballistic Missile (ABM) treaty which is being threatened by President Reagan's Star Wars programme; and the 1968 Non-Proliferation Treaty (NPT), which has 128 member governments and is currently undergoing its five-yearly review conference in Geneva. Now the essential bargain in the NPT is that the non-nuclear states undertake not to acquire nuclear weapons, while the nuclear states undertake to negotiate in good faith on an end to the nuclear arms race, including a comprehensive ban on all nuclear testing.

The best that can be said is that the nuclear-weapons states have not lived up to their side of the bargain. Unfortunately, the most palpable blame for this state of affairs must be laid at the door of the U.S. Since 1972, three nuclear weapons agreements have been negotiated between

the U.S. and the Soviet Union: none has been ratified in the U.S. Senate. Since 1982, the U.S. has refused to negotiate on a testing ban. In the meantime, the nuclear arsenals of the superpowers, in the shape of warheads, has probably quadrupled since 1972. President Reagan claimed last week that the NPT had been "a tremendous success"; but if this is arms control, what's the other thing like?

American military men claim that testing is necessary for designing safer weapons for reliability and predictability, for modernisation, for keeping up with the Soviet Union (otherwise known as arms racing), and for seeing how military systems stand up to a nuclear environment (otherwise known as war-fighting).

Critics contest the validity of the first two claims, and describe the last three as positively dangerous. Without these decades of testing, it would have been much more difficult for the superpowers to miniaturise their weapons; miniaturisation of multiple warheads has been mainly responsible for weapons proliferation over the last decade; multiple warheads on heavy Soviet missiles have been mainly responsible for the Reagan re-armament programme; and the proliferation and improved accuracy of war-

heads has driven the U.S. (and perhaps the Soviet Union) to seek war-fighting options. At the last NPT review conference, in 1980, the non-nuclear states were so dissatisfied that they refused a final communiqué; this time they might even try to mount an explicit condemnation of the nuclear states.

Arms control is no substitute for an improvement in the political relations between the superpowers; the chances of that happening will be judged by the Gorbachev-Reagan summit in November. But it is deeply damaging to the West that the U.S. should be widely blamed for the deadlock in arms control. And the sinking of the Rainbow Warrior hasn't helped, either.

Lombard

Playing games with TINA

By Anthony Harris

HERE is a rather obvious statement about the game of poker. A player who wants to make a big coup by bluffing will first want to establish himself as a stolidly unimaginative player who bets on his actual cards. But an opponent who notices this stolid play will soon suspect that he is being set up for a bluff; so you might as well bluff any time you feel like it.

What you are unlikely to realise, unless you happen on an article put out today by the London Business School's economic forecasting centre, is that this is also an analysis of a statement about economic policy.

One or two terms have to be translated first, to be sure. For betting real rational expectations; that is, where a poker player bets on what he thinks your cards are, an investor or wage bargainer will base his strategy on what he thinks Government policy is.

And the bluffing question? That is what up-to-date economists call the question of "time inconsistency." Solid play produces an expectation of bluffing.

It is easy enough to see how all this applies to Mrs Thatcher's problems. Keynesian economics, according to the fashionable view, have become unwieldy because the strategy has been rumbled; as a result, injecting cash into the economy simply drives up prices—which a monetarist would certainly regard as a rational expectation.

Mrs Thatcher therefore abandoned the Keynesian approach, and to discourage any suspicion that she might be bluffing proclaimed a stolid lack of imagination. "There is no alternative" is in this context not a statement about policy but an act of policy, like stolid bluffing.

However, as Mr Giles Keating of the LBS shows (and this is no surprise), Keynesian policy would actually work very well if everyone believed it had been abandoned. Referring while proclaiming TINA would work a treat (and perhaps it did in 1982-83). The trouble is the poker prob-

lem: in a world of rational expectations, people would understand this fact and so Mrs Thatcher could not convince anyone she was being consistent by shouting TINA; sophisticated players would simply start looking for a bluff. Therefore the policy never was credible, and therefore it couldn't work.

The conclusion of all this is not, as you might think, that the Government should abandon its policy; but that it should increase its credibility by joining the EMS. This is equivalent to changing the rules of poker by submitting every hand to the EEC Commission before betting.

Mr Keating at least deserves high marks for amusing novelty; this seems a highly original argument for joining the EMS, a policy which I happen to favour. However, I would not like to rely on this argument, for it seems to me full of holes.

Even in its own games-theory terms, it is easy to stand on its head: for if the Government (or a poker player) knows that people believe it is going to bluff, then bluffing won't work, so the Government won't do it; but again, people who think through that far will no longer expect the government to bluff, so bluffing would work....

But there is a more serious flaw. Leaving aside the fact that people do not treat their economic life like a game of poker, and the further fact that even if they might rationally think Government policy wrong even if it was consistent, there is a profound logical flaw: the analysis contains no information about actual expectations.

Mr Keating has fallen, in short, into a trap which economists seem almost unable to see since they started to use computers: he feeds in a theoretical construct, and then imagines it is evidence. All he has actually produced is a computerised tautology. Yet expectations are out there, and can be ascertained, as such lunatics as Dr Gallup and the CBI constantly remind us. Back to the coalface, Mr Keating.

Selling life assurance

From the Registrar, Registry of Life Assurance Commission

Sir—Your letter on the selling of life assurance (August 30) accepts too readily the proposition that the simple disclosure of commission is the best way of avoiding abuses in the sale of life policies.

The companies supporting this view are convinced that this is not the case. They are adopting scales of maximum commissions which will be made widely available to the public. Investors taking out a particular type of policy with the member offices will know that commission has not affected the advice they receive from intermediaries; that they are financing only the going rate; and that there can have been no bidding up, no volume over-riders and no conflict of interest. There is no reason why innovative policies should be shut out by such scales. But those policies should be sold on all the merits, not on extra commission.

This is a better deal for the investor than simple disclosure of commission at the point of sale.

Malcolm Reid, Alderman House, Queen Street, EC4.

Mortgage interest relief

From Mr R. Morrow
Sir—The answer to Mr Murphy's problem surely lies in his statement (Letters, August 21) "The Treasury... was never legally entitled to collect, etc." and his assertion that it has not suffered loss by the grant of tax relief. If for the sake of the easy arithmetic, we take simple figures, the difference to him, and to the Treasury, is clear:

With relief	£
Annual income	100
Mortgage interest paid	-20
Tax at 25%	-20
Free cash left	60
Without relief	
Annual income	100
Tax at 25%	-25
Mortgage interest paid	-20
Free cash left	55

With the grant of tax relief on mortgage interest, the Treasury receives 25 less than it otherwise might, and Mr Murphy has 55 more in his pocket to spend. What is paid to a lender in interest certainly counts as his income, and is taxed accordingly; but the Treasury would get that tax anyway, in either of the above scenarios, because it counts as

Letters to the Editor

fresh income on receipt. Thus it is irrelevant to comment that "tax liability follows the interest," however true that comment may actually be.

As far as I know, however, tax relief on mortgage interest paid is not compulsory, so if my explanation does not satisfy Mr Murphy, I have little doubt that the Treasury would accept his unilateral renunciation of relief — by withdrawing, perhaps, from MIRAS? For the rest of the long may it last!

R. H. Morrow,
Via Etna 6,
Int 6, 00141 Rome

Bulgaria's debt record

From the Director, Council of Foreign Bondholders
Sir—In the report (August 28) on the new \$100m eight-year credit for Bulgaria, your correspondence refers to that country's reputation for paying debt on time as having made it a particularly popular borrower.

I think it should be made clear, however, that that reputation does not extend to Bulgaria's pre-war bonded debt in sterling and other currencies which has been in default as to both capital and interest for some 45 years. Bulgaria has admittedly reached settlement with a number of countries, but these have often been on very poor terms for the lenders.

Negotiations with the British Government have taken place from time to time for many years but have yet to produce an offer which bondholders considered reasonably acceptable.

M. Gough,
35, High Street,
Bromley, Kent.

Less of a shock

From Mr M. Lydon
Sir—For several years I have found it convenient to have my quarterly Eastern electricity bill debited to my Access account. Clearly the EEB is happy with this arrangement, and it must be quicker and more labour-efficient to collect a block of receivables in this way. If Southern Electricity's financial director (August 28) views it differently, despite his customers' wishes, that is up to him, but it is astonishing that he should expect the credit card companies to "forgo their commission charges" as a condition of accepting payment in this way. Does SEB provide its

services free? Does Mr Tysoe? Has he really looked into the matter of possible benefits to SEB as well as to his customers? Perhaps a word with his counterpart in EEB is indicated.

As a member of staff of one of the Access shareholders, I am certain that the credit card company would be very happy to provide Mr Tysoe with a balanced case on which to reconsider his approach.

M. A. Lydon,
89a Theobald Street,
Borehamwood, Herts

Speedy Atlantic crossings

From Mr D. Booth
Sir—To add further speculation to the Atlantic speed debate (August 28) what did the Queen Elizabeth actually achieve? North Atlantic "buffs" will know that the large liners were escorted at high speeds through the western Approaches, zig-zagging, of course. But the 6th Destroyer Flotilla regularly escorted the Queen Elizabeth at 38 knots in 1945. It therefore was a surprise when no formal peace run was actually made by the QE; perhaps to let the Queen Mary keep her record? Of course the Marmora class liners could have done it at 45 knots easily!

Would someone open up the QE's log perhaps?

J. Booth,
40, Lawn Road,
Lymington, Hants.

Window-box appeal

From the Co-chairman, Ecology Party Council.
Sir—It is not surprising that our "more established parties" have problems in devising consistent environmental policy which they are pleased to call green and you point to a major underlying problem in your editorial of August 28. It one considers a clean, unpolluted, diverse and sustainable environment to be a priority, this desire is bound to conflict with our present industrial way of life and choices have to be made. Green political thinking believes that the needs of the planet come before environmentally damaging industrial processes: red, white, blue and orange political thinking wedded as it is to the industrial society and present definitions of economic growth, cannot share this belief.

The present scramble by the parliamentary parties to appeal to green thinking is of considerable interest to us as we watch them adopting policies to give their manifesto "wind-down-box" appeal. Any green person will not be taken in, however, realising that these policies can be dropped as easily as they were adopted, because they are not challenging the causes of our ecological crisis inherent in our present economic system. Environmental policies alone are not green.

John Lambert,
36-38 Clapham Road, S.W.9.

Defects in buildings

From Mr J. Lindsay,
Sir—Mr Goldstein's article (August 28) reduces the French example where their civil code protects the owner for a period of ten years from practical completion with the guarantee of the efficacy of the structure being backed up by an insurance policy.

Decennial insurance is also available in the UK, but since its introduction in the early 1980s, there has been a marked lack of interest perhaps partly due to the technical control that insurers seek to apply.

Concerning premium costs, even if the sum of the parts (almost) equalled the whole, which is distinctly debatable in the case of insurance, there is an assumption that the whole (premium) could be substituted for the component parts and would not (as would be more likely), be additional thereto.

Mr Goldstein's company will no doubt have taken out annual professional indemnity insurance. Were the "wrap-up" cover to become common place, would his insurers happily segregate his year's activities (and premium) into those bits where they were on risk and those where a project cover applied?

In fairness, the position is simpler for the contractor where provision usually exists for the obligation of annual and project cover.

It is also fitting that the same edition of the FT should carry an article on huge losses suffered by extended warranty insurers on consumer durables and while Mr Goldstein makes the point that buildings are unlike other artifacts, I think most insurers would view the prospect of covering a building for five years as just another set of circumstances where they again have the opportunity of getting their sums wrong.

As for the insurance market providing its own sanctions against a regular claimant, this is surely correct, but it is contradictory to the concept of all party cover advocated.

John D. Lindsay,
Bracegirdle House,
Bracegirdle Street,
Manchester.



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Terry Byland on Wall Street

Interesting question of regulation

IN CONTINUING to trade the securities of South African stocks last week, during the temporary closure of their home markets, Wall Street was following the line taken in London and other international centres. There was never much doubt that dealings would be maintained outside South Africa, and in the event, there were no fireworks in New York. Gold mining stocks, which had fallen sharply in previous weeks, gave a little further ground. Those "orderly markets" so beloved by regulatory bodies were maintained.

But the response of the New York Stock Exchange was not without significance for the quest for the global securities market in which Wall Street is leading the parade. Stocks in the South African gold producers - Buffelsfontein, Kloof, Vaal Reef and the like - are mostly traded in the U.S. on the Nasdaq or over-the-counter (OTC) market, in the form of American Depositary Receipts (ADRs). Since ADRs are receipts for stock already deposited in a U.S. bank, trading them does not directly change the balance of worldwide shareholdings. But offshore trading in international stocks like the South African gold producers will become increasingly important as markets become more global in nature.

The other form of investing in South African mines, widely favoured by U.S. private investors, is in ASA, the closed-end investment trust which invests in the stocks and is quoted on the New York Stock Exchange.

With the time differential working to its advantage Wall Street knew that dealings in South African stocks were already continuing in London and other European centres several hours before opening time in New York.

Both the NYSE and Nasdaq kept a low profile on the issue of whether trading should continue in New York - Nasdaq taking the slightly specious attitude that market-making on the Nasdaq system is voluntary anyhow. Some market-makers seem to have been told that if they elected to withdraw from making markets no one at Nasdaq would hold it against them.

The view generally held, although not expressed by any regulatory authority, was that since it was the South African Government and not the Johannesburg Stock Exchange which halted dealings in U.S. markets were not required to take notice - a curious attitude to those not employed in the securities industry.

Dealings soon started, and by mid-session the traders were complementing themselves on having again demonstrated that investors will always find a safe, resourceful market in the U.S. when they need to trade stocks.

But the South African incident underlines a newly-revealed truth in the New York financial markets. It has become almost impossible to stop dealings in New York in any security that investors, or speculators, want to trade.

On the same day that the markets decided to continue trading in South African stocks two major U.S. issues were temporarily suspended on the NYSE. Both Westinghouse Electric and Union Carbide were suspended after disclosing plans for significant changes in their respective corporate structures.

Both stocks were immediately quoted in the third market where stocks are traded off the floors of the NYSE, the Amex and other U.S. stock exchanges. After a brief flurry on these off-floor markets both stocks were restored to quotation on the NYSE, where they played a dominating role in the day's trading session.

When circumstances call for a halt in trading of a stock the NYSE now restricts the halt to three hours. This decision followed a series of embarrassments where speculative issues were traded in the third market while suspended on the big board - Walt Disney Productions and Warner Communications.

The third market played no role in last week's trading in South African stocks. There was no need to, since there was no shortage of Nasdaq and NYSE market makers willing to deal. But there can be little doubt what would have happened if the major exchanges had tried to restrain trading.

Last week's dealings in South African stocks has provided a reminder that as markets become increasingly international, so will the question of regulation. As matters stand, a truly international takeover battle could raise any number of interesting possibilities.

Sterling, interest rates 'threaten' UK recovery

BY ANATOLE KALETSKY IN LONDON

HIGH INTEREST rates and the strength of sterling are rapidly reducing Britain's inflation, but they are also eroding business confidence, threatening the economic recovery and undermining political support for the Thatcher Government.

These messages are conveyed strongly by two major surveys of business opinion published today by the Confederation of British Industry (CBI), the employers' organisation, and the Institute of Directors (IoD).

The CBI monthly trends survey for August shows "a distinct downturn" in order books, a deterioration in export prospects and the highest build-up of stocks since January, 1983. As a result of the gloomy survey, the CBI's economists have reduced their forecast for GNP

growth in 1985 from 4 per cent to 3 per cent.

Although the CBI's official growth forecast for 1986 remains unchanged at 2½ per cent, Mr David Wigglesworth, chairman of the Confederation's Economic Situation Committee, said yesterday that businesses had suffered "a jolt to confidence." He warned that high interest rates and exchange rates will "lead to a weakening of competitiveness, lower investment and ultimately lower growth both next year and in the longer term."

However, favourable effects of the Government's tight policies also emerge clearly from the CBI's survey. Fewer companies expect to raise their prices than at any time in the past five years and the CBI staff are now forecasting that inflation will decline to 3.5 per cent by mid-1986.

"This positive news in the battle against inflation should remove any lingering fears the Government might have about further cuts in interest rates," Mr Wigglesworth said. The Institute of Directors (IoD), meanwhile, issued a separate attack on the Government's performance on the basis of its own bi-monthly opinion survey. Although directors' views about their own companies' general performance remain bullish, expectations about output, profitability and the general economic environment have all declined from the peak levels reached earlier this year.

The IoD also found a high level of political disillusionment with the Government. Among the senior executives interviewed, 46 per cent of respondents expressed general dissatisfaction about its performance, against approval by 38 per cent.

Hopes rise for agreement over British newspaper dispute

BY OUR LABOUR STAFF

MICHAEL MAXWELL, publisher of the British Mirror Group Newspapers (MGN) told print union leaders last night that he had reached an agreement with the National Graphical Association (NGA), the print union, over the dispute which has led to the suspension of publication of the group's four national newspaper titles for the past 11 days.

The formula - which concedes the principle that the Sporting Life racing daily will vacate the group's Holborn Circus complex was subject to acceptance by other print union representing employees at MGN. A meeting of the trades union Congress (TUC) print industry committee, which would be empowered to ratify the deal, was due to be reconvened late last night.

Mr Maxwell's comments followed talks last night between the publisher and Mr Tony Dubbins, General Secretary-elect of the NGA.

Mr Maxwell, announced on Friday that MGN's four national titles would no longer be printed from the group's Holborn Circus complex in London because of its dispute with the NGA over the transfer of typesetting of the Sporting Life out of the building.

Over the weekend, Mr Maxwell further increased pressure on Mr Dubbins to reach a deal by issuing a statement declaring that he would begin contempt proceedings against the NGA for breach of an injunction obtained a week ago requiring the union's members in Manchester to print the northern edition of the Mirror normally if no settlement emerged.

Before yesterday's talks, he said: "With good will and an understanding of the reality of the situation I am convinced that we can reach an agreement. Otherwise I must take the inevitable step of asking the courts to require the

union to comply with the order which was granted to Mirror Group Newspapers requiring the NGA to lift its blocking of MGN production in Manchester."

Since the dispute began no copies of the Mirror, Sunday Mirror, and the Sunday People have been printed in London or Manchester.

On Friday, Mr Maxwell announced that he would never again publish the Sporting Life title and that it was up for sale.

Following Mr Maxwell's meeting with Mr Dubbins, he met with officials from SOGAT '82 - who were later scheduled to meet the NGA Mr Harry Courry, general secretary of the National Union of Journalists was also called up to Mr Maxwell's suite during the afternoon's lengthy negotiations. Since the start of the dispute the NUJ has volunteered itself in a potential peacemaker role in Mr Maxwell's dispute with the NGA.

S. African violence escalates

Continued from Page 1

and Mr Giulio Andreotti of Italy - were not allowed to visit Mr Nelson Mandela, the African National Congress leader, at the Cape Town prison where he is detained.

Pressure on Pretoria to release Mr Mandela mounted yesterday as the U.S. Administration emphasised the importance it attached to the issue and hinted that it favoured including the banned ANC in negotiations over the country's future.

The comments, by a State Department official, came on the eve of crucial talks with Dr Gerhard de Kock, governor of the South African central bank, on its financial and economic problems.

After the EEC delegation's three-hour session in Cape Town with Mr Botha, the South African Government yesterday issued a statement reaffirming its commitment to its "reform programme" and pledging an end to the state of emergency imposed on July 20 "as soon as the violence abates."

The statement, while couched in conciliatory terms, gave no indication of any significant shift from the cautious reformist programme outlined by President Botha earlier this year.

The first reaction from observers in South Africa was that it contained no big concessions - such as an immediate end to influx control or a willingness to negotiate with the banned ANC, which the delegation could present to the forthcoming meeting in Brussels of the EEC political directors. The apparent absence of concessions may also widen the gap between Britain and West Germany - which oppose economic sanctions - and the rest of the Community, which is broadly in favour of selective measures as an indication of growing impatience over the slow pace of change.

The Government also said the state of emergency "will be lifted as soon as violence abates, and the position of detainees" - over 1,100 are currently held under emergency laws - "will be reviewed as violence recedes." Influx control regulations would be "reviewed," said the statement, adding that Riba (\$355m) were earmarked for black urban development over the next five years.

Amid conflicting statements about anti-racist measures, the black National Union of Mineworkers and the mining companies involved prepared last night for a strike at seven mines affecting 70,000 workers.

Playboy Enterprises accounts qualified

BY TERRY DODSWORTH IN NEW YORK

AUDITORS for Playboy Enterprises, publisher of the U.S. Playboy magazine, are today expected to qualify the accounts of the publishing group for the year to June 30 because of uncertainties over the company's ability to collect income due on a \$7.9m note.

The results for the year, announced in advance of the accounts, showed net income of \$8.7m, or 71 cents a share, on sales of \$192m. Profits included \$2.5m of tax benefits resulting from loss carry-forwards.

Playboy said that its accountants, Price Waterhouse, would qualify the accounts because of concern over the settlement of the sale of its stake in the former Playboy Hotel/Casino in Atlantic City, now renamed the Atlantic Hotel/Casino. The stake was acquired by Easib Corporation, a subsidiary of the Elstare group, controlled by the

Pritzker family of Chicago, for \$7.9m in cash and \$45.5m in a note guaranteed by the hotel.

The first instalment of \$12.1m in principal and interest was received promptly in April, but Miss Christie Heiser, president of Playboy, said that the company was concerned over the Atlantic Hotel/Casino's recent operating losses.

Playboy Enterprises has been going through a period of readjustment after losing \$99m in 1982-1983. It sold its London casinos in 1982 and a licence renewal was refused, and decided to leave Atlantic City, in New Jersey, after the state casino control commission said it was unsuitable to operate there unless it cut its links with Mr Hugh Hefner, its controlling stockholder. In its 1984 fiscal year the company made net income of \$7.1m, or 2.76 cents a share.

People Express move

Continued from Page 1

trade out of the class B stock over a period of time, leaving voting control in the hands of longer-term investors.

The class B shares are being created by the concurrent formation of a new holding company called People Express, which will own all the stock of the present People Express Airlines. All existing shares will be converted into one new share in the holding group, plus one-tenth of a share of the class B common stock.

Mr Burr said that the change of

structure will help to provide additional financing and "organisational alternatives to facilitate future expansion or diversification."

The first step towards new financing will be an offering of 1.35m shares, which might raise about \$21m at current market prices. Proceeds will be used to increase the group's equity base and for general corporate purposes, the airline said.

Like several other U.S. airlines, People Express may be feeling particularly vulnerable at present because of a profits recovery.

World Weather

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Amsterdam	27	11	100	Amsterdam	27	11	Amsterdam	27	11
Bombay	31	12	100	Bombay	31	12	Bombay	31	12
Buenos Aires	21	12	100	Buenos Aires	21	12	Buenos Aires	21	12
Calcutta	31	12	100	Calcutta	31	12	Calcutta	31	12
Cairo	27	11	100	Cairo	27	11	Cairo	27	11
Cardiff	15	12	100	Cardiff	15	12	Cardiff	15	12
Chennai	31	12	100	Chennai	31	12	Chennai	31	12
Columbo	31	12	100	Columbo	31	12	Columbo	31	12
Dhaka	31	12	100	Dhaka	31	12	Dhaka	31	12
Dublin	15	12	100	Dublin	15	12	Dublin	15	12
Edinburgh	15	12	100	Edinburgh	15	12	Edinburgh	15	12
Frankfurt	21	12	100	Frankfurt	21	12	Frankfurt	21	12
Glasgow	15	12	100	Glasgow	15	12	Glasgow	15	12
Hong Kong	31	12	100	Hong Kong	31	12	Hong Kong	31	12
Imbros	31	12	100	Imbros	31	12	Imbros	31	12
Jakarta	31	12	100	Jakarta	31	12	Jakarta	31	12
Johannesburg	21	12	100	Johannesburg	21	12	Johannesburg	21	12
Kuala Lumpur	31	12	100	Kuala Lumpur	31	12	Kuala Lumpur	31	12
London	15	12	100	London	15	12	London	15	12
Lyons	15	12	100	Lyons	15	12	Lyons	15	12
Madras	31	12	100	Madras	31	12	Madras	31	12
Manila	31	12	100	Manila	31	12	Manila	31	12
Medan	31	12	100	Medan	31	12	Medan	31	12
Mumbai	31	12	100	Mumbai	31	12	Mumbai	31	12
Nairobi	21	12	100	Nairobi	21	12	Nairobi	21	12
Paris	15	12	100	Paris	15	12	Paris	15	12
Peking	21	12	100	Peking	21	12	Peking	21	12
Rangoon	31	12	100	Rangoon	31	12	Rangoon	31	12
Reykjavik	15	12	100	Reykjavik	15	12	Reykjavik	15	12
Rome	21	12	100	Rome	21	12	Rome	21	12
Singapore	31	12	100	Singapore	31	12	Singapore	31	12
Sourabaya	31	12	100	Sourabaya	31	12	Sourabaya	31	12
Taipei	31	12	100	Taipei	31	12	Taipei	31	12
Tokyo	21	12	100	Tokyo	21	12	Tokyo	21	12
Ulaanbaatar	15	12	100	Ulaanbaatar	15	12	Ulaanbaatar	15	12
Yokohama	21	12	100	Yokohama	21	12	Yokohama	21	12

BI-Invest surrenders control to Montedison

By James Burton in Rome

BI-INVEST, the Milan-based financial group, has formally surrendered to Montedison, Italy's giant chemical group, to bring to an end one of the most significant takeover battles in recent Italian history.

Montedison, which already owns 38 per cent of BI-Invest, is to consolidate its grip on the company by acquiring the shareholdings of the Bonomi family, estimated at 32 per cent. Sig Carlo Bonomi has resigned as chairman and managing director of BI-Invest.

The move by Montedison, taking the group away from its core chemical and pharmaceutical activities into insurance and property, is estimated to have cost up to 1,500bn (\$367m).

The battle began in early July when Montedison acquired from financial operators a 38.8 per cent stake in BI-Invest which had been built up stealthily on the Milan stock exchange. That deal put Sig Bonomi into a position of minority shareholder in his own company.

Montedison's move severely offended Sig Bonomi's industrial establishment. Sig Bonomi was a member of the club of top industrialists, including names like Agnelli, Pirelli and Orlando, who control the holding company, Gemina, the biggest single Montedison shareholder. They expressed strong disapproval for the action of Sig Mario Schimmenti, Montedison's chairman.

BI-Invest took legal action against Montedison and resorted to other tactical devices in order to try to block the takeover.

But the moves failed. Sig Bonomi has abandoned his attempt to defeat Montedison and agreed to sell the stake in BI-Invest held by Isima, his family holding company. Though the exact size and value of the stake have not been officially disclosed, it is believed some 32 per cent of BI-Invest is being sold for an estimated 1,200bn.

BI-Invest will, however, buy back BI-Invest's stake in three companies: Saffa, which makes matches and packaging material, Postal Market, Italy's leading mail order company, and Invest International which looks after BI-Invest's interests abroad.

As a result of the weekend's events, Montedison now controls a number of diverse financial assets such as a 25 per cent stake in La Fondiaria, one of Italy's leading insurance companies, plus stakes in other major insurers.

Shares on sale in UK store

By David Goodhart in London

FOR THE first time in Britain, shoppers will be able to buy and sell shares "over the counter" when a week today, stockbrokers Quilter Goodson open a "money centre" in Debenhams' store in Oxford Street, London.

If the experiment is successful it is likely to lead to the opening of similar centres in a high proportion of Debenhams' 68 stores, providing a wide range of financial services and advice in addition to share trading.

Mr Tony Richards, a partner in Quilter Goodson, which is headed by Sir Nicholas Goodson, confirmed yesterday that the money centre would be opening in Oxford Street next week but said that further details would have to wait upon a press conference scheduled for September 8.

The move to high street share shops is a timely attempt to tap the wider public interest in privatisation - especially of British Telecom - and the growth of company share option schemes.

Quilter Goodson has already done some pioneering work in this field. At the time of the BT flotation it opened up units inside many department stores - including 28 Debenhams stores - to distribute prospectuses and collect applications for shares.

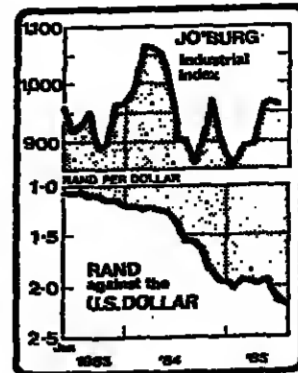
The Oxford Street money centre - which has been given the go-ahead by the London Stock Exchange - will be staffed by about half a dozen Quilter Goodson personnel backed up with information services such as Prestel, Exel and also two-way radios. A partner will also be available.

Although new to Britain, the practice of buying and selling shares in shops has been familiar in America for some time, most notably in an arrangement between stockbrokers Dean Witter Reynolds and its parent company Sears Roebuck.

Mr Robert Thornton, chairman of Debenhams which was taken over recently by Mr Ralph Halpern's Burton Group, was not available for comment yesterday.

THE LEX COLUMN

S. African winter for the banks



as much as 4 per cent of its assets tied up in cross-border lending to South Africa at the last year-end. But Standard Chartered and Barclays should be prepared for a dent in profits if South African companies go bankrupt because they cannot find the funds to repay their dollar debt, even if they now have a longer grace period than before. This may also have a serious impact on local banks.

Central banks and supranational institutions like the IMF must now be anxious that South Africa's actions will be contagious. Just last week, Mexico was making worrying noises about whether it could afford its interest payments. Politically, Latin American countries may find their present austerity measures difficult to justify to their electorates when a country as rich as South Africa has imposed unilateral measures.

South Africa is, of course, a very special case. Because of the strength of its economy, it can easily repay its \$12bn of short-term debt within the next few years; the problem is one of liquidity rather than solvency. The crisis was brought on almost entirely by political rather than economic pressures.

After all, the country was already following the economic course that the IMF would have prescribed, right down to the devaluation of the currency. But whether this will wash with the LDC debtors is another matter.

The imposition of exchange controls sounds like the loud banging of a stable door when the horse is already many miles away. Most people who wanted out of South Africa will have repatriated their money in the last few months. But with the reintroduction of a fixed commercial rate for trading and a floating financial rate for foreign dealings in securities, at least any more overseas panicking will be channelled through the financial rand, leaving the commercial rand stable enough to allow companies to do business.

Foreign companies with subsidiaries or associate companies there will still be able to receive dividends, probably in commercial rands, but pulling out of the country altogether may be difficult. If they are allowed to bring the proceeds back, it may have to be at the lower financial rate.

At either rate, industrial disinvestment does not look attractive. In sterling terms, the value of companies' rand assets has nearly halved since the beginning of the year. Given the state of the economy, there can be few domestic buyers, anyway. Financial institutions, who have to keep their money in the country, are awash with cash but industrial companies are not. Even if a foreign company could find a buyer for its subsidiary, the taint of distress selling would do no good for the price.

So companies who, unlike McAlpine last week, have not managed to pull out of the country will probably see the effect of the rand's depreciation hitting both their balance sheets and their profits. Even if earnings from South Africa match last year's level, their sterling value will be way down. Unless the book value of their assets underestimates their current worth, write-downs could be necessary.

Political risk

The South African Government may hope that a reimposition of two-tier exchange controls will attract investors back to the stock market. If it works like the old system, foreign investors will be able to buy shares in financial rands and earn dividends in more valuable commercial rands. But with yields on gold shares now 12 to 13 per cent, the payback period is seven or eight years, surely too long a time horizon for institutional investors to envisage in the current political climate.

Foreign investors, bankers and local businessmen are understandably holding out for some sort of political reform. The unrest is now so serious that decisions to lend to or invest in South Africa are not just based on moral scruples; they are hard to justify by any measure of risk and reward.

CITICORP

and subsidiaries

CONSOLIDATED BALANCE SHEET

(In Millions of Dollars)

	June 30 1985
ASSETS	
Cash and Due from Banks	\$4,277
Deposits at Interest with Banks	12,463
Investment Securities	6,824
Trading Account Assets	5,216
Federal Funds Sold and Securities Purchased Under Resale Agreements	
Loans and Lease Financing, Net	6,419
Commercial Loans (Less allowance for possible losses on loans of \$652 and \$547, in 1985 and 1984, respectively)	\$57,472
Consumer Loans (Less allowance for credit losses of \$377 and \$298, in 1985 and 1984, respectively)	46,782
Lease Financing (Less allowance for possible losses of \$5 and \$5, in 1985 and 1984, respectively)	2,402
Total Loans and Lease Financing, Net	\$106,656
Customer Acceptance Liability	7,943
Premises and Equipment, Net	2,230
Interest and Fees Receivable	2,384
Other Assets	5,184
Total	\$159,580
LIABILITIES	
Non-Interest-Bearing Deposits in Domestic Offices	\$8,549
Interest-Bearing Deposits in Domestic Offices	36,820
Non-Interest-Bearing Deposits in Overseas Offices	2,942
Interest-Bearing Deposits in Overseas Offices	48,771
Total Deposits	\$97,082
Purchased Funds and Other Borrowings	23,810
Acceptances Outstanding	5,052
Accrued Taxes and Other Expenses	3,402
Other Liabilities	4,817
Long-Term Debt	13,684
Convertible Notes	11
Subordinated Capital Notes	1,849



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday September 2 1985



American Airlines terms less tight than feared

BY ALEXANDER NICOLL IN LONDON

KEENLY awaited terms on a \$300m financing for American Airlines emerged on Friday and were less demanding than the market had feared.

In a summer market virtually starved of excitement, each stage of the Dallas-based company's deal has been accorded undue drama. First there were suspicions - denied subsequently by the borrower - that the airline would attempt to syndicate the deal itself, without lead managers. Then there was a tense bidding match between aspirant managers. After that fierce competition, the terms were expected to be very tight.

The seven-year deal, led by Bank of America with Bank of Montreal and Sumitomo Bank as co-leads, carries a maximum cost to the borrower of 40 basis points.

Backing a note facility, which will include a tender panel mechanism, will be a standby including a swingline. The standby, like an increasing number of other deals, comprises an "available" amount set by the borrower each six months according to its expected drawing needs, and a "reserve" amount making up the remainder.

The facility fee on the available amount - set initially at 150m - is 12 1/2 basis points and on the reserve amount, 7 1/2 points. The minimum fee is the 10 point initial average.

Margins on standby drawings will be 12 1/2 basis points above London interbank offered rate (Libor) for the first five years and 17 1/2 points for the remaining two. There will be a utilisation fee if the facility is more than 75 per cent drawn.

American plans to use the facility initially as a standby. At end-June, it had a \$1.6bn cash surplus. But it has an \$8bn capital spending programme between now and 1991.

Terms have also been awaited for months on a \$1.6bn refinancing for Woodside Petroleum, operator of Australia's North-West Shelf gas project. The deal has been controversial because doubts about Woodside's ability to raise the financing led to a \$800m takeover bid earlier this year from Broken Hill Proprietary and Shell, resulting in their current ownership of 79 per cent of the company. Then, some members of the lead management team for the original \$1.4bn package arranged in 1981 dropped out of the replacement deal.

The new facility will back issues of floating rate notes and commercial paper as well as export credits and other potential financing methods. Terms have been hammered out by the managers, including Deutsche Bank as syndication co-ordinator and Chase Manhattan as agent, and by Morgan Grenfell as Woodside's adviser.

Margins on the \$1.6bn expected to be needed, to be drawn either in cash or letters of credit, will initially be 1 1/2 percentage points above Libor. At a trigger point in the early 1990s, when production and shipping facilities are sufficient for a given level of LNG delivery to Japan, the margin will drop to 1 per cent. It will rise back to 1 1/2 per cent if repayments are not all made by February 1994, or if key coverage ratios are breached at any time.

Spreads on the remaining \$350m facility to meet contingent financing needs will be a quarter point higher in each case. Commitment fees on "available" amounts, to be projected by the borrower each year, will be 1/4 point and on "unavailable" amounts 1/2 point.

Almost 80 banks participating in the existing financing are being asked to take part in the new one. Use of the securities markets in non-recourse financing is not unprecedented, but is an important new method of bringing a broader range of investors into project finance.

For Australian borrowers, the method is particularly attractive because 10 per cent withholding tax must be paid on bank credit but not on securities.

Malaysia restricts ownership of banks

By Wong Sulong
in Kuala Lumpur

BANK NEGARA, the Malaysian central bank, has issued a new directive restricting the ownership of banks. The maximum equity stake in a bank is to be limited to 20 per cent for an individual or a family, including direct and indirect shareholdings.

The new ruling to diversify bank ownership follows several recent cases involving bad loans incurred by Malaysian banks owned and managed by a small group of individuals.

It is not immediately known whether the new regulations will obstruct Maika Holdings, the investment arm of the Malaysian Indian Congress, from seeking controlling interest in the United Asian Bank.

Maika recently obtained agreement with three Indian banks for the purchase of their 33 per cent stake in UAB. The deal has aroused substantial opposition from several Malay groups.

Bank Negara has also decreed that all banks must enforce its ruling on non-performing loans from January next year. Under the ruling, introduced last September, banks will have to treat a loan as non-performing and suspend interest if the borrower has not serviced it for 12 months or more.

The central bank also recommends that the Government amend the Banking Act to make it a criminal offence for any bank officer to extend credit in contravention to statutory limits or internal authorised limits.

Mis-priced issues return to market with a vengeance

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

IT MAY NOT exactly be an old Euro-market favourite, but at least it is a phenomenon with which bankers are endearingly familiar. Last week it was back with a vengeance - the mis-priced deal.

After a period in which investors' demand for U.S. corporate names had picked up in Europe, allowing a succession of carefully-priced deals to be tucked away with the investing community, new issue managers suddenly began to misread the market. The result was a spate of issues on over-ambitious terms that failed to elicit much excitement at all.

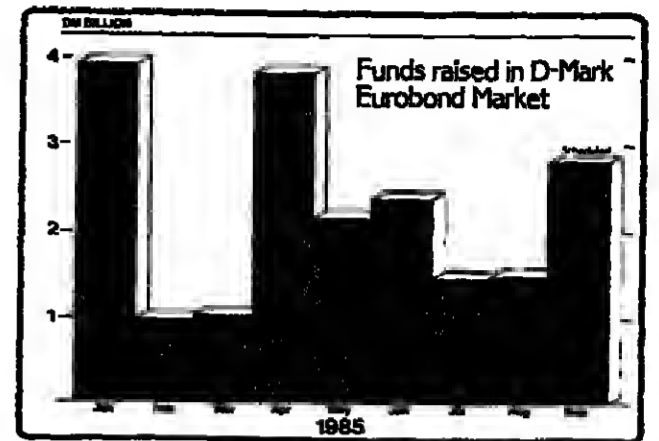
Worse still, several of the deals were for large amounts so that the total volume of new fixed rate paper hitting the market in a holiday-shortened week was an indigestible \$1bn, considerably more than the \$750m of a week before.

This is a lot to ask from a market which is certainly not investor driven at the moment. On one level it simply reaffirms the adage that old habits die hard. When big ticket borrowers such as Texaco, GMAC and General Electric Credit ask for bids, everybody has to scramble if only to keep face in a market where league tables do count.

But there is another possible conclusion from last week's debacle and it may be more relevant to the market's present constellation. This is that the launch of so many large deals all at once is what one senior banker described as "a good bear signal." In other words the borrowers may have got tired of waiting for interest rates to go down some more; indeed they may now be expecting them to harden.

If that is so, there must be implications for other markets too. Harder dollar interest rates could help the dollar to firm again - the U.S. currency rose by more than six pence to nearly DM 2.22 last week - and that spells potential disappointment for markets which are heavily currency driven such as that in Germany.

Certainly new issue managers did not get much help from New York last week, particularly on Friday when bond prices on Wall Street fell following a surge in M1 money supply. That just left most of last week's new paper looking even more out of line and by common consent only the \$250m GMAC issue was left looking reasonably unscathed. Other deals were trading outside their fees with those from General Electric Credit Texaco and Security Pacific (Australia) dubbed



particularly unappealing.

In Germany, the bond market is caught between the stronger dollar and promises from Herr Karl-Otto Pöhl, Bundesbank president, that interest rates will come down some more. Last week bankers said it was moving sideways in a period of consolidation after recent sharp gains.

There is little concern about the size of the DM 2.8bn new bond tender for September, which should be kicked off today with a DM 150m issue for Eurofima. Though this is larger than the DM 1.48bn new issue volume in August, the list contains a number of popular supranational and sovereign names.

In Switzerland, where bond prices closed the week generally firmer on average, a feature was the continuing poor performance in secondary trading of recent dual currency issues. The Philip Morris bond entered secondary dealing on Tuesday at an eight point discount on its Swiss franc issue price and though by Friday the stronger dollar had helped it improve, it was still only at 97.13. The Mobil issue was also below par at 97 1/4. By contrast the recent straight 8 1/2 per cent Tokyo Electric Power bonds held their 99 1/4 per cent issue price.

The Euro market started last week on a confident note with an Ecu 125m, 8 1/2 per cent issue for R. J. Reynolds which was well received, but an oversupply of new paper began to weigh on trading as the week wore on and secondary market prices closed with losses of about 1/2 point. One factor was soundings by Italy for a large issue, which some bankers said could total as much as Ecu 500m.

With the European Investment Bank poised to launch an Ecu issue in Tokyo today such cross-bred bonds continue in vogue. The Asian Development Bank is planning soon to launch a ¥25bn Yankee issue in New York. New South Wales has also changed its plans to do a Samurai issue. It will launch a dollar bond in the Tokyo market instead.

EUROMARKET TURNOVER				
Turnover (\$m)				
Primary Market	Secondary Market	Other	FRN	Other
U.S.S. 1,206.5	26.9	455.9	282.0	131.5
FRF 1,507.2	1.5	2,510.0	151.5	1.5
Other 1,507.2	0.4	154.0	1.5	1.5
Prev 886.5	0.0	16.5	5.9	5.9
Secondary Market				
U.S.S. 15,068.5	785.4	11,380.3	1,082.2	1,082.2
FRF 14,108.7	782.2	13,731.5	1,738.7	1,738.7
Other 3,382.1	45.9	865.1	1,511.6	1,511.6
Prev 3,382.1	45.9	720.5	1,738.7	1,738.7
Cash				
U.S.S. 9,758.8	25,878.4	32,845.2	34,818.3	34,818.3
FRF 10,704.9	25,815.0	34,818.3	34,818.3	34,818.3
Other 4,882.1	3,308.8	5,806.7	5,806.7	5,806.7
Prev 3,357.0	3,308.8	7,445.5	7,445.5	7,445.5

Week to August 29 1985 Source: AFD

German Ford still in red

BY OUR FINANCIAL STAFF

FORD of West Germany, which fell into last year, does not expect to climb out of the red until 1987.

The company, the German offshoot of the U.S. motor group, forecasts continued losses for current year and 1986 but looks to 1987 for a return to profitability.

The German car market offers little encouragement for this year, says Herr Daniel Gondevert, the managing board chairman. He expects domestic car registrations to slip to 2.3m from 2.315m in 1984.

Group losses for 1984 totalled DM 236.1m (\$106.7m) in contrast to a profit of DM 151m in 1983. It was the company's first loss since 1980, when a deficit of DM 482.8m was incurred.

Sales last year dropped 4.2 per cent to DM 12.7bn. Ford blamed declining exports, particularly to Britain, and higher domestic marketing costs.

Framatome share deal

BY DAVID HOUSEGO IN PARIS

THE NEW SHARE structure of Framatome, the French nuclear power plant manufacturer, was agreed in final negotiations over the weekend.

CEG, the nationalised engineering and electronics group, will get 40 per cent of the shares and Dazex, the private construction group 12 per cent.

The new shareholders, which include Electricité de France, the French generating board, with 10 per cent, are to pay cash for their stake to the Commissariat à l'Energie Atomique (CEA) though the price was not disclosed. The CEA held 50 per cent of Framatome with Cressot-Loire, the engineering group before it went bankrupt, and has claimed since to have absorbed Cressot-Loire's stake. The CEA will now hold only a 35 per cent stake in the nuclear plant manufacturer.

Banco Filipino ruling

BY OUR FINANCIAL STAFF

THE PHILIPPINE Supreme Court has ordered the central bank's monetary board to suspend liquidation proceedings against Banco Filipino Savings and Mortgage Bank, the country's biggest savings bank.

Banco Filipino was placed under receivership in January. Its liquidation was approved in March because, the central bank said, liabilities at 5.1bn pesos (\$274m) exceeded assets worth 3.9bn pesos.

The bank petitioned the supreme court to stop the liquidation and to nullify the decision. It is now to be allowed a full hearing with the monetary board ordered to submit findings within 30 days.

The court ruling represents a significant victory for Banco Filipino in its long running attempt to stave off liquidation. Before it ran into financial difficulties in 1984, the bank had 89 branches.

THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK

N.Z. \$50,000,000

16 1/2 per cent. Guaranteed Notes due 1990 Series 108

Unconditionally guaranteed by

THE KINGDOM OF DENMARK

Mitsubishi Finance International Limited

Generale Bank

Morgan Guaranty Ltd

Algemene Bank Nederland N.V.

Amro International Limited

Banque Bruxelles Lambert S.A.

Chemical Bank International Group

Creditanstalt-Bankverein

Daiwa Europe Limited

Enskilda Securities
Skandinaviska Enskilda Limited

Genossenschaftliche Zentralbank AG
Vienna

Goldman Sachs International Corp.

Hill Samuel & Co. Limited

IBJ International Limited

Kansallis-Osake-Pankki

Merrill Lynch Capital Markets

Mitsubishi Trust and Banking
Corporation (Europe) S.A.

Nederlandse Credietbank N.V.

The Nikko Securities Co., (Europe) Ltd.

J. Henry Schroder Wagg & Co. Limited

Svenska International Limited

SwedBank

Swiss Bank Corporation International Limited

Westdeutsche Landesbank
Girozentrale

Privatbanken A/S

Den Danske Bank

Copenhagen Handelsbank A/S

NEW ISSUE

These Notes having been sold, this announcement appears as a matter of record only.

EUROFIMA

European Company for the Financing of Railroad Rolling Stock

U.S. \$100,000,000

10% Bonds Due 1995

Merrill Lynch Capital Markets

Amro International Limited

Bank Brussel Lambert N.V.

Bank of Tokyo International Limited

Banque Paribas Capital Markets

Bertiner Handels- und Frankfurter Bank

Creditanstalt-Bankverein

Credit Suisse First Boston Limited

Daiwa Europe Limited

Deutsche Bank

Generale Bank

Girozentrale und Bank der österreichischen Sparkassen

IBJ International Limited

Kleinwort, Benson Limited

Kredietbank International Group

Mitsubishi Finance International Limited

Nomura International Limited

Société Générale

Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited

S. G. Warburg & Co. Ltd.

Westdeutsche Landesbank
Girozentrale

July, 1985

This announcement appears as a matter of record only.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ISSUE

on a yield basis

of

£100,000,000

9½ PER CENT. LOAN STOCK 2010

Issue Price: 88.466 per cent.

Payable as to £30 per cent. of the nominal amount on application
and as to the balance of the issue price by 24 January, 1986
with interest payable half-yearly on 24 March and 24 September.

Baring Brothers & Co., Limited

County Bank Limited

Hill Samuel & Co. Limited

Lazard Brothers & Co., Limited

Morgan Grenfell & Co. Limited

J. Henry Schroder Wagg & Co. Limited

Hambros Bank Limited

Kleinwort, Benson Limited

Samuel Montagu & Co. Limited

N. M. Rothschild & Sons Limited

S. G. Warburg & Co. Ltd.

JULY, 1985

This announcement appears as a matter of record only.

Pirelli UK International Finance B.V.

(Incorporated with limited liability in the Netherlands)

£40,000,000

Guaranteed 7½% Convertible Bonds Due 2000

Issue Price: 100 per cent.

Unconditionally guaranteed by



Pirelli UK plc

(Incorporated with limited liability in England)

and certain guaranteeing subsidiaries
and Convertible into Ordinary Shares of Pirelli S.p.A., or
Bearer Participation Certificates or
Bearer Shares of Société Internationale Pirelli S.A.

Baring Brothers & Co., Limited

Credit Suisse First Boston Limited

Algemene Bank Nederland N.V.

Bayerische Vereinsbank Aktiengesellschaft

County Bank Limited

Generale Bank

Merrill Lynch Capital Markets

Morgan Stanley International

J. Henry Schroder Wagg & Co. Limited

S. G. Warburg & Co. Ltd.

Banque Paribas Capital Markets

Berliner Handels- und Frankfurter Bank

Credito Italiano S.p.A.

Kleinwort, Benson Limited

Morgan Grenfell & Co. Limited

Nomura International Limited

Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited

Amro International Limited
Banca Commerciale Italiana
Banca Manasardi & C.
Banca Nazionale del Lavoro
Bank Mees & Hope N.V.
Banque Bruxelles Lambert S.A.
Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris
Barclays Merchant Bank Limited
James Capel & Co.
Cazenove & Co.
Commerzbank Aktiengesellschaft
Compagnie de Banque et d'Investissements, CBI
Crédit Commercial de France
Crédit Lyonnais
Daiwa Europe Limited

Deutsche Bank Aktiengesellschaft
Dresdner Bank Aktiengesellschaft
Euromobiliare S.p.A.
Robert Fleming Securities Limited
Gefina International Limited
Genossenschaftliche Zentralbank AG
Hill Samuel & Co. Limited
Goldman Sachs International Corp.
W. Greenwell & Co.
Hambros Bank Limited
Hill Samuel & Co. Limited
Hoare Govett Ltd.
Kreditbank N.V.
Lloyds Merchant Bank Limited
L. Messel & Co.
Mitsubishi Finance International Limited
Samuel Montagu & Co. Limited

Morgan Guaranty Ltd.
The Nikko Securities Co., (Europe) Ltd.
R. Nivison & Co.
Nuovo Banco Ambrosiano S.p.A.
Orion Royal Bank Limited
Phillips & Drew
Pierson, Holding & Pearson N.V.
N.M. Rothschild & Sons Limited
Rowe & Pitman
Sarasin International Securities Limited
Simon & Coates
Strauss Turnbull & Co.
Vickers da Costa Ltd.
Westdeutsche Landesbank Girozentrale
Yamaichi International (Europe) Limited
de Zoete and Bevan

JULY, 1985

This announcement appears as a matter of record only.



Royal Insurance p.l.c.

(Constituted in 1845 and incorporated with limited liability in England under the Companies Acts 1862 to 1900)

£60,000,000

10½ per cent. Notes due 1992

Issue Price: 100 per cent.

Baring Brothers & Co., Limited

BankAmerica Capital Markets Group

Barclays Merchant Bank Limited

Deutsche Bank Aktiengesellschaft

Hill Samuel & Co. Limited

Lloyds Merchant Bank Limited

Morgan Grenfell & Co. Limited

Swiss Bank Corporation International Limited

Banque Nationale de Paris

County Bank Limited

Goldman Sachs International Corp.

Kleinwort, Benson Limited

LTCB International Limited

Orion Royal Bank Limited

S. G. Warburg & Co. Ltd.

Yamaichi International (Europe) Limited

Akroyd & Smithers PLC
Amro International Limited
Banca Commerciale Italiana
Bank Gutzwiller, Kurz, Buechner
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Bayerische Landesbank Girozentrale
Cazenove & Co.
Charterhouse Japan PLC
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DG Bank Deutsche Genossenschaftsbank
Generale Bank
Genossenschaftliche Zentralbank AG
Girozentrale und Bank der
österreichischen Sparkassen
Aktiengesellschaft
W. Greenwell & Co.
Grindlay Brindley Limited
Hoare Govett Ltd.
Manufacturers Hanover Limited
Merrill Lynch Capital Markets
B. Metzler soel. Sohn & Co.
Mitsubishi Finance International Limited
Morgan Guaranty Ltd.
Nederlandse Middelenbank NV

The Nikko Securities Co., (Europe) Ltd.
Nippon Kangyo Kabumura (Europe) Limited
Nomura International Limited
Norddeutsche Landesbank Girozentrale
Österreichische Länderbank Aktiengesellschaft
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Pierson, Holding & Pearson N.V.
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Rabobank Nederland
N. M. Rothschild & Sons Limited
J. Henry Schroder Wagg & Co. Limited
Société Générale
Standard Chartered Merchant Bank Limited
Svenska International Limited
Vickers da Costa Limited

JULY, 1985

This announcement appears as a matter of record only.

crédit foncier de france

(Incorporated in France with limited liability)



PLACING

on a yield basis

of

£100,000,000

10½ PER CENT. GUARANTEED SERIAL LOAN STOCK

2011, 2012, 2013 and 2014

unconditionally guaranteed, as to payment of principal, premium (if any) and interest, by

The Republic of France

Issue Price: 89.596 per cent.

Payable as to £25 per cent. of the nominal amount on acceptance
and as to the balance of the issue price by 10 December, 1985
with interest payable half-yearly on 18 February and 18 August.

Baring Brothers & Co., Limited

Barclays Merchant Bank Limited

Hambros Bank Limited

Kleinwort, Benson Limited

Morgan Grenfell & Co. Limited

County Bank Limited

Hill Samuel & Co. Limited

Samuel Montagu & Co. Limited

S. G. Warburg & Co. Ltd.

Banque Nationale de Paris plc

JUNE, 1985

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Low-cost borrowing via a convertible

WHEN IS a bond not a bond? Answer: when it is a convertible. Interest in Eurobonds convertible into shares has been growing as the world's stock markets have boomed. And with the outlook for some bond markets unclear, bond investors are looking for the excitement of an equity play.

Convertibles offer the best of both worlds. Holders can exchange their bonds for shares at a pre-determined price, set when the bond is issued usually at a premium to the then share price. As bonds they offer a higher yield than the shares would and their performance can be better than straight bonds if the share price is rising.

But convertibles combine disadvantages too. The yield is lower than on straight bonds so that there is less protection if the shares are falling. Investors would do better buying the shares at the outset if they expect them to rise.

As a result they often fall between the desks of the fixed interest and equity fund managers. Says a bond manager, "I leave convertibles to our equity guys," while the equity fund managers answer, "Why should I pay a premium to buy the shares?"

A good illustration of the returns convertibles can give is demonstrated by an issue made in 1982 by Comcast, the U.S. cable television company. The shares have moved up fast and by this summer at around \$30 were well above the \$25.50 conversion price. Investors have been taking an 8 per cent yield meanwhile compared with an under 1 per cent yield on the shares.

The company has now called that issue but has made another, this time with a 7 per cent coupon. The conversion price was set at a \$23.25 per share, the prevailing

share price. Even if the share price keeps rising it will be some time before it is worth converting.

But what happens if the shares run out of steam? Comcast included a put option for investors so that they can redeem the bonds after five years at a price of 112.50, giving a yield of 9.99 per cent. That provides some protection against a fall in the shares.

Put options like these have proved popular with investors, though not so much with the borrowers. "The chance of the put being exercised is not something you stress to borrowers," says a banker involved in a recent deal.

A number of recent convertible issues have caught investors' attention and drawn heavy demand. As well as Comcast's deal, an issue for The Limited, the U.S. women's clothing chain, also had a success with a \$50m convertible

paying a 6 1/2 per cent coupon with a put option to give a 9.48 per cent yield after five years.

U.S. companies are by no means alone as convertible bond issuers. Most prolific are Japanese companies which are active in the Swiss franc and Euro dollar bond markets. Euro issues have small conversion premiums—around 5 per cent—meaning that investors can quickly make a profit on the shares if the Tokyo stock market is rising.

The Japanese city banks are now allowed to make convertible bond issues in the Eurobond market and so far three, Mitsubishi Bank, Sumitomo Bank and Fuji have done so. All have met with success. European investors are often keen to buy Japanese convertibles because they can have difficulty in buying Japanese equities direct.

It is believed that many of the issues from Japanese companies are converted within a few months, and borrowers soon return to launch another deal.

The attractions to the borrowers are clear. Funds can be raised at a cost well below coupons on fixed-rate issues and some companies' credit ratings are too low to make a straight Eurobond issue easy. Coupons in the Eurodollar sector of around 7 per cent on convertibles are much cheaper than the 10 1/2 per cent top-name borrowers are paying for fixed-rate funds. In the Swiss franc market convertible coupons are now below 2 per cent while good quality borrowers are paying 5 1/2 per cent for fixed-rate issues.

Maggie Urry

Sentrachem falls into heavy loss

By Tony Hawkins in Johannesburg

SENTRACHEM, the South African chemicals group, ran up a loss of R24.4m (\$8.5m) in the year to June, 1985, after earning a profit of R19.1m in 1984.

The dramatic swing in Sentrachem's fortunes is attributable to high interest costs and huge operating losses at its Alfrene synthetic rubber plant where losses totalled R148m.

The Alfrene plant came on stream when world rubber prices were falling and synthetic rubber plants were being closed around the world. Mr David Marlowe, its managing director, warned that the plant is unlikely to be profitable for another 10 years. Group foreign exchange losses totalled R26m.

Although turnover rose 12 per cent to R512m, net income before financing costs fell 44 per cent to R44.8m. No dividend has been paid and none will be declared in 1985-86.

The next reporting period will be for nine months to March, 1986. The two key variables that will determine group profitability are the rand exchange rate and domestic interest rates.

Dutch banks and insurers to move closer

By Laura Rawn in Amsterdam

THE DIVISIONS between banking and insurance in the Netherlands will diminish significantly by 1987 following government initiatives aimed at keeping the Dutch competitive with foreign financial institutions.

Large banks will be allowed to take over small insurers and large insurance companies will be permitted to acquire small banks under the recommendations from Mr H. Ommo Ruding, the Finance Minister.

Discretion about what consti-

tutes a "small" bank or insurer will be left to the Finance Ministry and the central bank, apparently leaving wide scope for a mingling of banking and insurance.

At the moment, banks can own no more than 15 per cent of an insurance company and vice versa, although banks can engage in insurance brokering while insurers can offer long-term deposits in the form of annuities.

The demarcation line, however, always has been a "little

arbitrary," concedes the Finance Ministry. They were blatantly blurred last year with the rescue of Westland-Utrecht mortgage bank by National Nederlanden, the largest Dutch insurance company.

Mr Ruding's proposals are aimed at giving the Dutch an edge with which to compete with the rapidly growing competition from European and American financial institutions.

"Because of the openness of the Dutch economy, foreign financial institutions have made

sizeable inroads into the domestic market. Foreign banks now claim at least 25 per cent of the market while foreign insurers account for about 40 per cent of all insurance companies.

Still further loosening of Dutch financial regulations also has been hinted at in response to West Germany's liberalisation of capital markets. The Dutch centre-right government has been pushing for faster deregulation of industry in general.

Norwegian shipping line lifts first-half earnings

By Fay Gjester in Oslo

LEIF HEEGH, the Norwegian shipping group, reports higher freight earnings and operating profits for the first half of 1985 and forecasts increased profits for the year as a whole.

It attributes the increase to the phasing-in of new tonnage coupled with continued rationalisation and an improved performance by its liner services. The high value of the dollar was also a positive factor.

Freight earnings rose to Nkr

1.7bn (\$209m) from Nkr 1.4bn and operating profits, before depreciation and financial items, were Nkr 408m against Nkr 272m.

For the whole of 1985 operating profits are forecast at Nkr 790m, compared with Nkr 750m in 1984. But fluctuations in the value of the dollar could affect the result, the group stresses.

Leif Heegh's fleet at end-June comprised 44 ships totalling about 2.7m tonnes deadweight.

Major reverse for South African insurance group

By Jim Jones in Johannesburg

PROTEA ASSURANCE, the South African subsidiary of the Sun Alliance group, increased premium income and profits in the six months to June, largely because of a merger with Phoenix Assurance's South African arm.

Although results are not strictly comparable, gross premium income was R77.2m against R40.8m in the first half of 1984. Pre-tax profits rose to R1.58m from R835,000.

Underwriting results were worse than in the previous year since fire premiums were particularly inadequate to meet normal losses.

Guardian National, the 51 per cent owned subsidiary of Guardian Royal Exchange, echoed the views expressed by Protea's board. Guardian's gross short-term premium income increased to R57.7m in the first half of this year from R44.8m. The interim operating loss increased to R2.27m from R1.58m.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount £	Maturity	As % of	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Rockefeller Center (a)(d)	535	2000	15 1/4	8	100	Goldman Sachs	
Rockefeller Center (d)	730	2000	15 1/4	8	22.58	Goldman Sachs	
Fuji Bank I	20	2000	15	(2 1/4)	100	Fuji Int. Fin.	
Fuji Bank II	20	2000	15	(2 1/4)	100	Fuji Int. Fin. (R.Kong)	
Nippon Credit B	20	1992	8	8 1/4	100 1/4	Sumitomo Int.	8.808
Sec. Pacific (Australia) †	100	1990	8	8 1/4	100 1/4	Salomon Brothers	
Public Power Corp. (a) †	180	1997	12	7 1/4	100	Orion Royal Bank	8.646
Japan Dev. Bank †	180	1992	7	10 1/4	100 1/4	17CB Int.	10.250
Yokohama Spec. Bank †	200	1992	8	10 1/4	100	CSFB	9.823
General Elec. Credit (a) †	250	1990	8	10 1/4	100 1/4	Mitsubishi Fin. Int.	9.573
Toshiba Capital †	250	1992	7	10	89 1/4	Goldman Sachs	10.051
GMAC †	250	1992	7	10	89 1/4	CSFB	
Wells Fargo (a) †	100	1997	12	7 1/4	100		
CANADIAN DOLLARS							
Walling Co. †	75	1992	7	10 1/4	100	Wood Gundy	10.825
Sears Acceptances †	75	1990	8	10 1/4	100 1/4	Deutsche Bank	10.300
GMAC (Canada) †	75	1992	7	10 1/4	100 1/4	Goldman Sachs	10.786
Ford Credit Canada †	75	1992	7	10 1/4	100 1/4	CSFB	10.750
University of Quebec †	25	1992	7	10 1/4	100		
AUSTRALIAN DOLLARS							
Walling Co. †	30	1990	3	12 1/4	100 1/4	Salomon Brothers	12.540
Trans-Columbia Pip. †	40	1990	5	13 1/4	100 1/4	Deutsche Bank	13.267
Pacific Capital Res. †	50	1990	8	13	100 1/4	Orion Royal Bank	12.793
Telstra Australia Fin. †	50	1990	8	13 1/4	100 1/4	J. H. Schroder Wagg	13.517
D-MARKS							
Tajiri Sells †	35	1990	8	3	100	Deutsche Bank	3.000
American Express †	20	1990	5	6 1/4	100		
Swiss Francs							
World Bank †	200	1992	7	6 1/4	100 1/4	DS Bank	6.330
Swiss Francs							
Walling Co. †	150	1990	—	1 1/4	100	SBC	1.375
Metropole of Tokyo †	100	1992	—	5 1/4	100	UBS	5.375
Kaba Steel †	100	1990	—	3	100	Credit Suisse	3.000
Daimler-Benz †	40	1990	—	(3 1/4)	100	Credit Suisse	
Wandoo Eastaeston †	10	1990	—	(6 1/4)	100	Bay. Gutzwiller, K.S.	
Wandoo Eastaeston †	120	1990	—	(1 1/4)	100	Credit Suisse	
Hochsiedel Paper Co. †	50	1990	—	(3 1/4)	100	Credit Suisse	
Tajiri Printing †	20	1990	—	(8 1/4)	(100)	Credit Suisse	
Wag. Fin. Services †	20	1990	—	(8)	100	Societe	
Japan Elec. Computer †	50	1990	—	5 1/4	89 1/4	Deutsche Bank	5.550
ECUs							
R.I. Reynolds †	125	1991	8	8 1/4	100	Morgan Guaranty	8.625
World Bank †	125	1992	8	8 1/4	100 1/4	DS Bank	8.581
Wandoo Eastaeston †	50	1991	5 1/4	8 1/4	100	Deutsche Bank	8.750
Int. Bank of Finland †	50	1995	8	8	100	Kansallis-Osake-Pan.	9.000
French Francs							
Walling Co. †	500	1990	5	11 1/4	100	Societe Generale	11.125
Danish Kroner							
L.M. Ericsson †	300	1990	8	8 1/4	100 1/4	Swedish Int.	9.777
World Bank †	225	1992	7	10	100 1/4	DS Bank	9.872
Norwegian Kroner							
Den Norske Veritas	200	1990	5	18	—	Christians Bank	
Gulden							
World Bank †	100	1990	8	8 1/4	99 1/4	Robobank Nederland	6.580
Luxembourg Francs							
Sandvik †	225	1990	3	8 1/4	100 1/4	BSL	0.025
City of Luxembourg †	300	1990	5	8 1/4	100	Deutsche Bank	0.125
Austrian Schillings							
Int. Landeshank †	230	1992	8	7 1/4	100	Int. Landeshank	7.750
Int. Landeshank †	270	1993	5	8	100	Int. Landeshank	7.474
World Bank †	500	1992	7	7 1/4	99 1/4	DSB	7.395
Yen							
World Bank †	500	1992	7	6 1/4	99.95	Wakaijuku Bank	6.759
Westinghouse †	1300	1991	6	7 1/4	101 1/4	Mitsui Bussan	7.184
Austria †	2500	1995	10	8	102	Wakaijuku Bank	7.700

* Not yet priced. † Fixed terms. ** Private placement. † Floating rate note. † With equity warrants. † Dual-currency. (a) 1/4 over 3m Libor. (b) 1/4 over 3m Libor. (c) 8 1/4% first 5 1/4% yrs, then 13 1/4%. (d) At maturity investors can convert or buy a 7-year FRN at 100, immediately callable. (e) Extendable to 2005. Notes: Yields are calculated on ARD basis.

NEW ISSUE

All these securities having been sold, this announcement appears as a matter of record only.

August 1985

¥25,000,000,000
(Issue Amount)

\$115,955,500
(Principal Repayment Amount)

R. J. Reynolds Industries, Inc.
(Incorporated in Delaware)

**7 3/4% Dual Currency Yen/U.S. Dollar
Notes, Due 1990**

ISSUE PRICE 101 1/2%

The Nikko Securities Co., (Europe) Ltd.
Morgan Guaranty Ltd

Mitsui Trust Bank (Europe) S.A.
Sumitomo Trust International Limited

Banque Paribas Capital Markets
Deutsche Bank Aktiengesellschaft
Generale Bank

Chuo Trust Asia Limited
Dillon, Read Limited
Mitsubishi Finance International Limited

Mitsubishi Trust & Banking Corporation (Europe) S.A.
Swiss Bank Corporation International Limited
Yamaichi International (Europe) Limited

Morgan Grenfell & Co. Limited
S.G. Warburg & Co. Ltd.
Yasuda Trust Europe Limited

NEW ISSUE

This announcement appears as a matter of record only.

July, 1985



crédit foncier de france

¥15,000,000,000

Guaranteed Floating Rate Notes Due 1997

unconditionally guaranteed, as to payment of principal and interest, by

The Republic of France

Issue Price 100 per cent.

IBJ International Limited

Crédit Commercial de France Morgan Guaranty Ltd. Sumitomo Finance International

BankAmerica Capital Markets Group

Bankers Trust International Limited

Banque Paribas Capital Markets

Caisse des Dépôts et Consignations

County Bank Limited

Crédit Lyonnais

Credit Suisse First Boston Limited

Daiwa Europe Limited

Deutsche Bank Aktiengesellschaft

Fuji International Finance Limited

Goldman Sachs International Corp.

LTCB International Limited

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Morgan Stanley International

Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited

Yamaichi International (Europe) Limited

BRITISH AEROSPACE

Public Limited Company

"Overall the half-year's results are well up to our expectations..."

"...In the Prospectus issued at the time of the Offer for Sale we expressed some caution for the near term... Subsequent developments encourage us now to be somewhat more optimistic... We have every confidence that the Company will go from strength to strength and that it has a sound future."

Sir Austin Pearce, Chairman

- ▲ Pre-tax profits up 21% to £68.3m
- ▲ Sales up 22% to £1,308m
- ▲ Earnings per share up 17% to 29.7p
- ▲ Dividend up 10.5% to 5.8p

Interim results for 6 months to 30th June 1985

	1st half 1985 (£m)	1st half 1984 (£m)	Full year 1984 (£m)
Turnover	1,308	1,076	2,468
Trading Profit	86	82	166
Profit before Taxation	68	56	120
Profit after Taxation	62	51	108
Retained Profit	48	41	81
Earnings per Share (on net basis)	29.7p	25.3p	53.5p

Copies of the full statement will be sent to all shareholders. Further copies are available from: The Secretary, British Aerospace Public Limited Company, 100 Pall Mall, London SW1Y 5HR.

BRITISH AEROSPACE

...up where we belong

British Aerospace Public Limited Company, 100 Pall Mall, London.

Satellites for Communications & Scientific Research

Civil Airlines, Business Aircraft, Military Aircraft & Air Launched Missiles

Ground Launched Missiles & Electronic Systems

Ship Launched Missiles

Underwater Systems

UK COMPANY NEWS

Tourism helps Church to first half expansion

WITH THE first half showing further progress, turnover is ahead 13.3 per cent and pre-tax profits are up 19.14 per cent—the directors of Church & Co, maker and retailer of footwear, are reiterating their forecast made at the annual meeting that 1985 will be another good year overall. Turnover in the period came to £25.75m (£22.72m) and the profit to £1.72m (£1.45m). Mr Ian Church, chairman, says in the UK the factories have continued to be extremely busy and profitable. Their order position is expected to remain busy for the rest of the year.

Retailing in the UK had a better half year, helped mainly by very buoyant trading conditions in London stemming from the large influx of tourists.

Overseas, he says sales and profits of the Canadian company improved significantly and retail trade continued to be buoyant. U.S. results were slightly reduced because of rather more difficult trading conditions, but sales in July and August were still very healthy and they are

excellent. On capital doubled by last year's scrip issue the directors are paying an interim dividend of 2.5p net. This is a 1p advance on last year but they stress it is to reduce disparity. For the year 1984 the company paid a total of 7.5p from a pre-tax profit of £4.72m.

After tax £899,000 (£487,000) and minorities £5,000 (£6,000), the net attributable profit for the half year works through at £1.02m (£954,000) for earnings of 8.8p (8.1p) per share.

Yorkgreen hit by bad debts and write-offs

Yorkgreen Investments, which became a subsidiary of Talbot Group at the beginning of July, has run into a loss of £251,000 for the six months ended April 30 1985, against a profit of £31,000 previously. The interim dividend is being passed, compared with 0.225p.

The loss represents 2.56p (earnings 1.15p) per share. But this year there are extraordinary charges totalling £214,000, which push up the par share figure to 4.19p. The charges are £77,000 written off freehold and leasehold properties and £137,000 written off oil and gas investments.

The directors say that future overall strategy will be governed by Talbot, the board of which anticipates that Yorkgreen will show improved results following integration.

In the half year Yorkgreen's trading profits were rather less than had been anticipated, and this was aggravated by the need for bad debts of £158,000 and the impact of high interest rates on increased borrowings.

As a move towards reducing borrowings, the directors are taking steps to dispose of assets which are not essential to trading activities.

However, this has led to the extraordinary charges. The case of properties the £77,000 is the difference between the current valuation on four properties, and for the oil and gas investments the provision has been made in an effort to bring book value nearer to market worth prior to offering them for sale.

THOMAS ROBINSON, engineer and machine, has reported a profit of £70,000 to £156,000 for the first half of 1985. Turnover was down at £5.01m (£5.51m). For the fourth successive year there is no interim dividend, but the directors expect to recommend a final. Second-half results may be affected by the South African situation and the strength of sterling.

Manor National loss worse than expected

Manor National, the vehicle sales and leasing company taken over by C. D. Bramall in May, plunged deeper in the red in 1984 and incurred pre-tax losses of £518,000 compared with £48,700 in 1983. The figure was struck after interest charges up from £876,000 to £880,000.

The net loss for the year, after tax and extraordinary items, has increased to £1.34m from the estimate of £1.08m announced on April 11 and in connection with the takeover by Bramall. This

is arrived at after taking into consideration a change in the method of valuing parts stock in order to comply with the basis adopted by Bramall, and a re-appraisal of the amount included in the balance sheet, forming part of a claim of £353,070 due from a third party.

Turnover for the year fell from £99.67m to £82.47m. Tax took £31,000 compared with £22,000, and there was an extraordinary item of £88,000 against £264,000. The loss per 20p share was 5.9p (1.9p). No dividends have been paid since 1980.

COMPANY NEWS IN BRIEF

ALEXANDER RUSSELL, building supplies distributor and coal recovered, had a very active start in the year, the chairman said at the annual meeting. All construction work was well behind programme, however, due to the bad weather, and first-half results were unlikely to improve on the highest figure of £1.28m achieved in 1983. He added that the second half should be very good, with, for the first time, results surpassing those for the interim period.

PARAMBE, an investment company, reports total income of £130,600 (£94,000) for the first half of 1985, including £56,400 (£21,600) from dealing in works of art. After tax £21,000 (£15,800) net profit, 1p to £100 (£68,800), equal to 1.14p (0.82p) per share. Net asset value 51.7p (48.3p) at end December. Strength of sterling detracted from performance of overseas investments, but feature has been enhanced level of activity in art dealing subsidiary. By end of year the company expects to have made necessary adjustments to enable it to qualify for investment trust status for tax purposes, and will have freedom from capital gains tax in 1986.

NORTH MIDLAND Construction: The board has agreed to purchase the one-third minority interest in the subsidiary North Midlands Construction (Civil Engineering) for £135,000. The acquisition is to facilitate the continuing integration of the two businesses on to one site.

HALLITE has sold its subsidiary Electricals for a cash consideration of £54,000 in respect of the share capital and £346,000 in respect of the repayment of intra-group debt. The assets acquired have a net book value of £400,000. Hallite will retain Poppe's freehold site at Twickenham, Middlesex, and debtors and creditors, which have a total net book value of £715,000.

MURRAY INTERNATIONAL TRUST is forecasting a final dividend of not less than 3p which will make 4.5p net for 1985 (3.8p). Gross revenue half-year ended June 30 1985 was £1.34m (£1.24m), and net revenue £3.03m (£1.84m), giving earnings of 2.57p (1.56p) per share basic and 2.52p (1.53p) ordinary. For full-year earnings are estimated at 4.5p (3.44p). Net asset value of ordinary and B is 158.8p (124.3p) per share. As part of increased exposure to equity market Murray has purchased 10.17 per cent of Scottish Northern Investment Trust at a cost of £12.18m. SNIT is the subject of a bid from Thorneycroft Trust.

BIOMECHANICS INTERNATIONAL say negotiations are at an advanced stage in the setting of a large contract with a substantial UK company in an important technological sector. Arrangements for the financing of this contract are well advanced, and full details will be sent to shareholders at the end of September.

LADROKE INDEX
1,000 = 1,000.9 (+2)
Based on FT Index
Tel: 01-427 4411

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers
8 Lovat Lane London EC3R 8DT Telephone 01-621 1212

Over-the-Counter Market

Capitalisation	Company	Change	Gross Yield	P/E	Fully Paid
4,500	Ass. Bnt. Ind. Ord.	136	10.0	7.2	7.2
3,010	Alpington Group	52	8.4	12.3	8.7
1,000	Ambridge and Rhodes	40	4.3	10.8	8.0
48,828	Serdon Hill	158	4.0	2.0	18.7
3,850	Emy Technologies	84	3.5	8.1	7.8
853	CCL Ordinary	158	12.0	7.8	3.7
1,300	CCL 11pc Conv. Pl.	104	15.7	16.1	—
7,428	Carbonium Ord.	126	4.3	4.0	8.1
330	Carbonium 7.5pc Pl.	30	10.7	11.9	—
3,800	Deborah Services	48	8.5	14.1	4.4
30,706	Frank Horrell	485	1.4	0.3	11.4
—	Frank Horrell Pr. Ord.	370	11.9	3.2	8.7
3,467	Frederick Parker	24	—	—	—
1,421	George Blair	72	2.7	12.3	6.0
894	Ind. Precision Castings	22	—	—	—
14,578	Jala Group	103	15.0	8.2	14.1
1,618	Jackson Group	104	5.5	5.3	7.0
255	James Burrough	255	15.0	8.8	7.8
3,155	John Burrough Socy	61nd	12.9	14.2	—
8,362	John Howard and Co.	88	5.0	6.8	10.8
1,304	Lingaphone Ord.	180	—	—	—
—	Lingaphone 10.5pc Pl.	91	15.0	16.5	—
16,280	Minihouse Holding NV	570	6.5	1.2	24.8
847	Robert Jenting	83	—	—	—
1,280	Scutlions 'A'	31	—	—	—
1,431	Torley and Cartliss	31	5.0	1.3	7.8
1,473	Twiden Holdings	325	12.3	3.3	18.8
5,338	Uniclock Holdings	194	2.1	8.2	9.0
14,101	Walter Alexander	110nd	5.8	7.7	7.8
4,896	W. S. Yeates	157nd	17.4	8.8	8.8

Prices and details of services now available on Prostat, page 48140

FINANCIAL TIMES STOCK INDICES

	Aug. 29	Aug. 30	Aug. 31	Aug. 31	Aug. 31	1985	Low	Since Completion
Government Secs.	85.04	85.68	85.66	85.60	85.70	85.68	82.67	107.4
Fixed Interest	88.67	88.60	88.60	88.59	88.81	88.78	88.17	160.4
Ordinary	1012.0	1005.8	991.3	990.1	991.4	987.8	981.0	1084.5
Gold Mines	890.7	890.1	890.4	888.8	811.3	810.1	808.1	784.7
FT-Net All Share	646.28	650.00	655.04	654.06	658.04	655.06	646.06	646.28
FT-SE100	1840.0	1838.0	1806.8	1810.6	1809.7	1840.8	1806.1	1348.4

BARCLAYS

BARCLAYS OVERSEAS INVESTMENT COMPANY B.V.
U.S. \$350,000,000
Guaranteed Floating Rate Notes due 2004

Notice is hereby given that the Rate of Interest for the Interest Period from 4th September 1985 to 4th March 1986 is 8 1/4 per cent per annum and that on 4th March 1986 the amount of interest payable in respect of each U.S. \$5,000 principal amount of the Notes will be U.S. \$208.97.

Barclays Merchant Bank Limited
2nd September 1985 Agent Bank

PORTSMOUTH BUILDING SOCIETY

Notice is hereby given in accordance with the Society's Rules that as from 1st September 1985 the following rates of interest per annum will be paid on the various types of investment account.

Ordinary Share	7.15%	Equivalent	10.21%
7 Day Share	8.70%	to (where)	12.43%
30 Day Share	9.15%	Income tax	13.07%
90 Day Share	9.80%	is payable	14.00%
3 Year Period Share	10.00%	at the basic	14.29%
5 Year Capital Builder	10.20%	rate of 30%)	14.57%
Subscription Share	8.65%		12.36%

The Rate of Interest on all discontinued issues of Notice and Period Shares will be reduced by 1.25%
All rates variable with Ordinary Share Rate. Amount now offered £250,000,000.
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Telephone: 0705 663111

Portsmouth Building Society
Members of the Building Societies Association and its Investors Protection Scheme.

Standard Bank Import and Export Finance Company Limited

£50,000,000
Guaranteed under the Finance Act 1982
Unconditionally and irrevocably guaranteed as to payment of principal and interest by

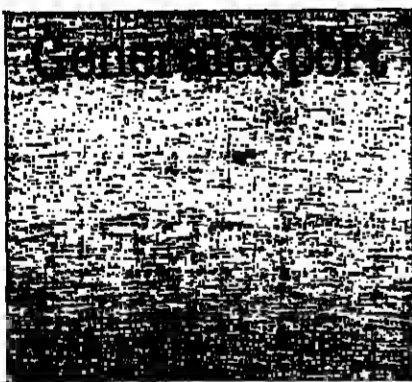
The Standard Bank of South Africa Limited

In accordance with the provisions of the Notice notice is hereby given that the rate of interest for the three months 28th August 1985 to 28th November 1985 has been fixed at 12.00 per cent and the interest payable on the relevant interest payment date, 28th November 1985, will be £15,123 per £55,000 Note.

Standard Bank of South Africa Limited, London.

Investment and joint venture in Yugoslavia

Essential reading to bring you up to date with 4 major Yugoslav companies



GENERALEXPORT

International Trade Company
GENERALEXPORT is a Belgrade based company handling all aspects of international trade. At home it enjoys the backing of 400 Yugoslav enterprises and it runs a network of 64 commercial/representative offices abroad, realizing 11 per cent of Yugoslav foreign trade. Generalexport also operates the Yugotours travel organisation, the Aviogetex tourist airline, the Belgrade Inter-Continental Hotel and a mountain ski resort in the south of Yugoslavia. In 1984 Generalexport had a turnover of 4,981 million US dollars, an increase of 8.1 per cent on the year before.



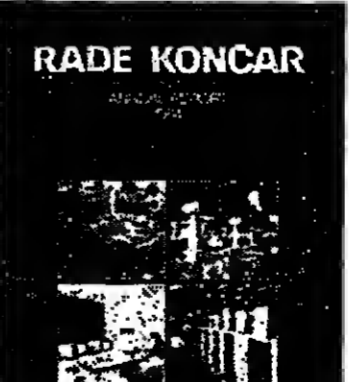
GOŠA INDUSTRIES

Equipment and Vehicle Manufacturers
The GOŠA INDUSTRIES — Equipment and Vehicle Manufacturers from Smederevska Palanka, Yugoslavia were established in 1923. The business activity of GOŠA is based on the following manufacturing programs: Power Metallurgy and Mining Equipment, Agricultural Equipment, Construction Equipment, Processing Industry Equipment, Electrical Equipment, Engineering for industrial and other projects (turnkey projects), Railway Vehicles and Over-the-Highway Vehicles. GOŠA employs 12,000 workers. GOŠA operates its own Design Engineering, Institute and EDP, Marketing, Foreign Trade. GOŠA has a developed export activity, and about 50% of both products and services go to foreign markets all over the world.



ISKRA

ISKRA, based in Ljubljana, is the biggest Yugoslav company, dealing with the electronic and electromechanical industry. It has almost 100 production plants, employing more than 30,000 workers. With intense research and development activities, Iskra is capable of production of a great range of sophisticated products and systems, especially in the fields of telecommunications, computers, measurement and automation equipment, electronic and electromechanical components and consumer electronic equipment.



RADE KONČAR

Electrical Industries and Engineering
RADE KONČAR of Zagreb is one of Yugoslavia's leading manufacturers, employing a workforce of 22,000. We have many years experience in the field of electrical industries products, equipment and plants and are renowned for our reliability in designing, manufacturing, installing and maintaining electrical equipment intended for power generation, transmission and distribution. Design and construction of projects and complete electrical power supply plants, metallurgy plants, mining, oil, petrochemical and process industries, roads, shipping and off-shore. In 1984 exports reached 131.6 million US dollars.

Investment and joint Venture in Yugoslavia

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UK COMPANIES

Godwin Warren profit doubled

Gedwin Wyren Control to £2.25m (£2.2m). Tax took £283,000 (£265,000) but there were no minority interest payments (£4,000), leaving an attributable profit of £142,000 (£73,000). Earnings a share were 3.5p against 2.2p.

The group, based in Bristol, is continuing to expand in the UK, the U.S. and elsewhere overseas.

Mr David Simpson, chairman, says the company's "long-term growth will continue in the U.S. and elsewhere, but will be stronger than the first, and the prospects for 1986 look encouraging."

The interim dividend is being reduced to 1p from 1p. The company is a member of the United Securities Market.

Turnover was up 43 per cent

SHARE STAKES

Changes in company share changes announced over the past week include:

Hunter Saphir—A. S. Wilson. Hunter Saphir, disposed of 50,000 ordinary shares at 132p and 100,000 ordinary shares at 132p, for a total of 118,550 (£785 per cent).

J. T. Mollison, director, disposed of 5,000 at 132p and now holds 10,000 at 132p.

Time Products—G. Baber. Baber, bought 80,000 ordinary shares at 122p.

May & Hassell—Deltic Securities (UK) and its associates now hold 1,329,465 ordinary (1413 p cent).

James J. E. Frye, chairman, sold 130,000 ordinary.

Hewden Stuart Plant—M. D. Greenwood, director, has disposed of 25,000 ordinary.

James M. Maynard, chairman, has acquired a holding of 200,000 ordinary (0.53 per cent)—100,000 at 79p and a further 100,000 at 85p.

Fine Art Developments—Fol- lowing are directors' changes in shareholdings: R. Chapman purchased 10,000 ordinary shares at 300p; R. Chapman purchased 45,000; R. F. Kerry sold 6,000. R. F. Kerry family trust 49,000 and J. F. Parker sold 10,000.

Francis Killingsbeck Ltd—D. Bain, director, purchased 129,400 ordinary between August 16-23.

Wiggins Group—J. P. Haykin sold 100,000 ordinary at 0.60 per cent. On August 26 it was reported that a purchase of Wiggins Group shares by chairman S. P. Haykin had increased his holding to 0.60 per cent. This should have read 3.01 per cent.

Cesalt—Interchange Canad- ers have purchased 100,000 shares, bringing his holding to 1,710,000 ordinary (16.78 per cent).

COMPANY NEWS IN BRIEF

POODCHSTER INVEST-
NCSs confidently predicts that
outcome for the half-year to
September 30 1985 will com-
fortably exceed the £230,000
in the corresponding
period last year. Mr. R. J. Badi-
ch, chairman, told the annual
meeting that new investment in
equipment and vehicles would be
in the order of £14m in the
second half. Rental income from
the existing portfolio was run-
ning at approximately £1m per
month. The current arrears posi-
tion continued to be satisfactory,
said.

JOHN ENGINEERING has
£272,000 (£252,000). Due to
availability of loans brought
forward anticipated that any
liability to tax for the year will
be small, and no provision made
for taxation. Basis of valuation
figures, therefore, are shown at 4.3p
(1.12p) and fully diluted 3.6p
(1.01p).

LET'S FOUNDRIES & ENGINEERING, a subsidiary of
Williams Holdings, suffered a
pre-tax loss of £470,000 in the
year ended March 31 1985 of
£297,000. There were net
interest charges of £213,000
£19,000 and exceptional items
of £731,000 (nil). Turnover

BOARD MEETINGS

MOLYNX HOLDINGS is looking for substantial increase in profit for 1985. First-half pre-tax has risen to £98,000 (£26,000) and directors expecting similar result for second half. For year 1984 the group made £122,000. Pattern of group's trading—making equipment for closed-circuit TV industry—is now more regular and consistent, they state. Turnover for half-year

Automotive Products	Sept 1
Gliddie	Sept 1
Bridon	Sept 1
Cadbury Schweppes	Sept 1
Chemical Process Agents	Sept 1
EIS	Sept 1
Internat	Sept 1
ating (John)	Sept 1
PLU	Sept 3
Robinson Bros. (Hyders Green)	Sept 1
Sala Titney	Sept 1
Samuel (H.)	Sept 1
Tarnon	Sept 1
Finale—	
Gouglas (Robert M.)	Sept 1
Haynes Publishing	Sept 1
Land Investors	Sept 1
Peerless	Sept 1
Sore	Sept 1
Stewart (Charles)	Sept 1

OTTOMAN BANK

(Incorporated in Turkey with Limited Liability)

Ottoman Bank hereby give notice that reconponing will be accomplished on and after 1 October 1985 by the issue of replacement Share Certificates with Coupons 113-147 and Talon attached.

Exchange Forms are now available from:
Barclays Bank PLC
Securities Services Department
54 Lombard Street
London EC3P 3AH

Shareholders are, therefore, requested to surrender their existing Share Certificates, accompanied by a completed Exchange Form, to Barclays Bank at the above address between the hours of 10.00-14.00 Monday to Friday.

Date: 2 September 1985



BRITISH AEROSPACE

PUBLIC LIMITED COMPANY

Notice to holders of partly-paid shares in British Aerospace

Public Limited Company

*** If you bought shares in the offer of shares in British Aerospace which took place in May 1985**

*** If you have acquired partly-paid shares in British Aerospace since then**

you are reminded that the second and final instalment of 175p per share is due to be paid by 3.00 p.m. on 10th September 1985.

In order to allow sufficient time for cheques or bankers' drafts to be cleared by 3.00 p.m. on 10th September 1985 you should ensure that your cheque or bankers' draft arrives not later than 5th September 1985.

You should send your cheque or bankers' draft together with the letter of acceptance for your shares to the address shown in paragraph 1 on page 3 of your letter of acceptance.

All cheques and bankers' drafts should be made payable to "Lloyds Bank" and should be crossed "BAe Offer".

Please remember that if you fail to pay the final instalment you are liable to lose any entitlement to the shares and may receive no repayment of the first instalment.

This announcement appears as a matter of record only.



The Dow Chemical Company

Incorporated under the laws of the State of Delaware, U.S.A.

U.S. \$900,000,000

Medium Term Credit Facility

As amended

Agent Bank

**European Banking Company
Limited**

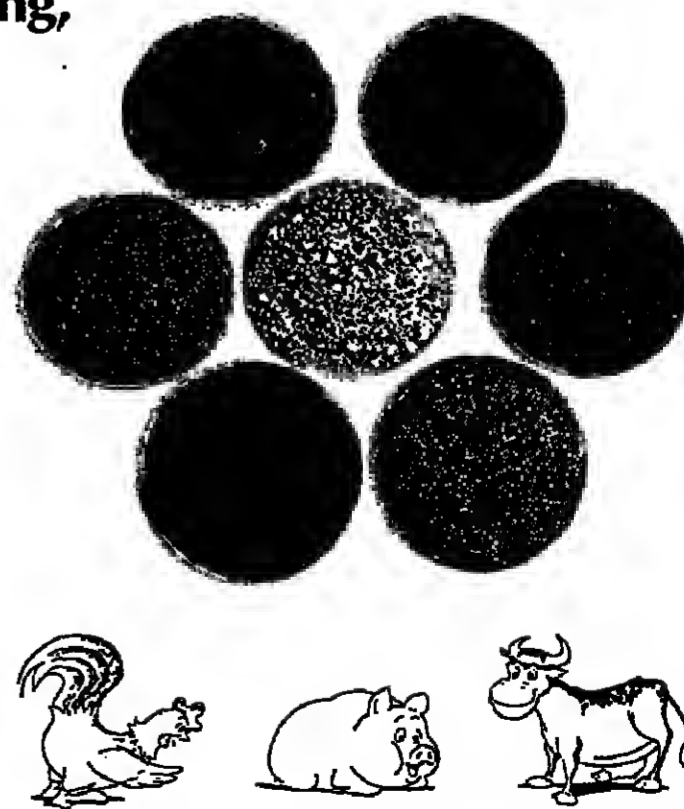
• July 1985

Feedstuffs from Liaoning, China

We export Soybean Protein Powder, Soybean Cake (broken), Wheat Bran, Beet Extraction, Rapeseed Cake, Soybean Extraction, Peanut Cake, Compound Feeding Stuff, Grass Meal, Sheep Grass Meal, Seaweed Meal, Dried Turnip, Lucerne Seeds, Dried Pumpkin, Various Grass Seeds, Acorn Kernels, Malva Seeds, Small Millet Seeds, Dried Silkworm Chrysalis Meal, Dried Silkworm Chrysalis, Maize Cob Meal, Maize Embryo, Dried Potato Slices, Dried Potato Powder, Maize Embryo Cake, Soya Bean Stem Meal, Kelp Root Meal, Silkworm Excrement, Groundnut Plant Meal, Sunflower Seeds Cakes (Meal), Wild Sesame Seeds, Clam Shell, Oak Leaf, Zuomu-logs, Cotton — seed Cake.

Please telex us today for further information.

**China National Native Produce and
Animal By-Products I/E Corp.,
Liaoning Native Produce Branch
139 Stalin Road, Dalian, China
Telex: 86155 PRO CN Cable: PRODAIREN DALIAN**



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JAPAN

198

High	Low	Firm	Price
1,670	1,040	Ainomoto	1,290
2,087	1,220	Alps Electric	1,510
1,949	1,190	Ameyasu	1,310
1,091	621	Asahi Glass	730
926	600	Bridgeway	790
1,428	800	Coca-Cola	1,050
2,060	1,340	Casio Comp.	1,520
1,550	910	Chuguni Pharm.	1,230
546	392	Daiichi	460
1,790	925	Dai Nippon Ptg.	1,060
1,516	860	Dai Nippon Text.	1,040
944	326	Ebara	420
9,092	1,183	Elitel	1,470
9,300	7,060	Furukawa	7,340
1,200	700	Fuji Corp.	1,030
6,040	1,550	Fuji Film	1,730
1,349	811	Fujitsu	1,050
1,260	770	Fujitsu	970

3,450	1,600	Green Cross.	2,120
564	55	Hasagawa.	515
693	577	Heisei Real Est.	795
893	607	Hitachi.	605
1,610	1,080	Hitachi Gradi.	1,070
1,550	1,210	Honda.	1,555
806	680	House Food.	830
2,460	1,580	Hoya	1,840
466	523	Itoh Gr.	520
2,270	1,800	Kado	2,350
1,380	780	Iwatsu.	785
570	516	JACCS.	544
0,060	4,860	JAL.	5,110
880	669	Jusco.	875
489	589	Kajimi.	475
878	714	Kao Seng.	850
763	588	Kashiyama.	735
745	548	Kirin.	740

1,129	870 Kokuyu	955
998	455 Komatsu	56
748	601 Konishi Roku	67
319	309 Koyu	82
838	510 Kumagai	62
7,100	3,420 Kuyera	3,421
944	403 Maeda Canet	884
1,460	823 Makino Miling	861
1,280	900 Makita	07
419	390 Marubeni	49
720	549 Marudai	72
1,450	852 Marui	1,42
1,440	1,200 MCIL	1,42
978	623 Mats. Elec. Works	54
1,780	1,320 M'bishi Bank	1,54
709	012 M'bishi Corp	66
410	340 M'bishi Elec	34
639	039 M'bishi Electric	39
863	234	86

453	324 Mitsui Co.	44
1,000	582 Mitsui Estate ..	01
710	805 Mitsukoeri	71
936	680 NGK Insulators	82
373	210 Nihon Cement	34
1,486	1,200 Nippon Denso.	1,24
1,259	003 Nippon Elec.	91
535	322 Nippon Express.	52
2,400	1,040 Nippon Gakkai	1,17
157	139 Nippon Kokan.	15
289	774 Nippon Oil.	83
983	450 Nippon Seiko.	45
095	329 Nippon Shuppan	07

532	22b Higpon Yusen . .	51
533	608 Hissan Motor	62

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NOTES—Prices on this page are quoted on the individual exchange and are last traded prices. $\frac{1}{2}$ Declines suspended. $\frac{1}{4}$ Ex dividends. $\frac{1}{8}$ Ex accumulation. $\frac{1}{16}$ Ex rights. $\frac{1}{32}$ Ex call.

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FINANCIAL TIMES
while enjoying your superb
steak and salad meal:

Düsseldorf, Schadowstraße 86
Düsseldorf, Hafenstraße 9
Frankfurt, Domplatz 6
Köln, Mittelstraße 11
München, Tal 74
Münster, Neubaustraße 69

CHURRASCO
Das Steak Restaurant

CHURRASCO




Das Steak Restaurant

At the following Churrasco Restaurants you can read the **FINANCIAL TIMES** while enjoying your superb steak and salad meal:

Düsseldorf, Schadowstraße 86
Düsseldorf, Hafenstraße 9
Frankfurt, Domplatz 6
Köln, Mittelstraße 11
München, Tal 74
Münster, Neubaustraße 69

CHURRASCO



Das Steak Restaurant

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on Page 31

AMEX COMPOSITE PRICES

Stock	Div	P/E	Stk	High	Low	Class	Change	Stock	Div	P/E	Stk	High	Low	Class	Change	Stock	Div	P/E	Stk	High	Low	Class	Change	Stock	Div	P/E	Stk	High	Low	Class	Change		
Acme		5	25	21	21			Data	18	15	12	12	12	12	12	Int	12	16	14	14	14	14	14										
Adval	.14	16	40	26	26	26	1/4	Del		136	20	24	24	24	24	Int		31	30	30	30	30	30	R	.12	40	46	16	16	16	16	16	16

Nasdaq national market, 2.30pm prices, August 30

Continued on Page 29



FOR DETAILS ON HOW TO GET YOUR FINANCIAL TIMES
PLEASE CONTACT **PETER LANCASTER**
ON TEL: GENEVA 311604

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CURRENCIES, MONEY and CAPITAL MARKETS

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Financial Times Conferences

THE THIRD PROFESSIONAL PERSONAL COMPUTER CONFERENCE

London—October 30 & 31 1985

Keynote speakers at the FT 1985 Professional Personal Computer Conference will be Dr Robb Wilton, Mr Benjamin Rosen, Mr Vittorio Levi and Mr A. E. Santilli, the vice-president of Entry Systems, IBM Europe. Marketing and selling the personal computer will be debated by Mr Victor Freedman from Computeland Corporation and Mr David Broad, director-general of the British Microcomputer Manufacturers Group.

THE STRATEGIC DEFENCE INITIATIVE AND EUREKA

London—November 4 & 5 1985

The Strategic Defence Initiative is to be the subject of an FT Seminar for senior managers from companies in the defence industries and in related businesses. The initiative will be explained and evaluated but the main purpose of the seminar is a discussion of how arms from Europe and Japan can position themselves either alone or in partnership with American corporations to secure contracts in this major research programme. The Eureka proposal and what may develop from it will also be considered and there will also be assessment of the commercial "spin offs" that may derive from the SDI.

Lord Chalfont, whose book on the SDI is to be published at the time of the seminar, will be in the chair and Dr George Keyworth of the White House and Dr Gerald Voss of the SDIO are to contribute papers. Mr Michael Clark of Plessey is to speak in his capacity as a leading European industrialist and Dr Allen Puckett of Hughes Aircraft is to discuss SDI and trans-Atlantic collaboration from the standpoint of a significant business player. Mr Earle Williams, president and chief officer of BDM International will be speaking as a consultant heavily involved in American thinking on the initiative and practical guidance to intending participants is to be provided by two experts from the BoozAllenBethesda office.

The seminar, to be held at Skinner's Hall in the City of London, is limited to 100 participants and the proceedings will not be reported.

All enquiries should be addressed to:

The Financial Times
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX
Tel: 01-621 1355 (24-hour answering service)
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

Contracts and Tenders

This is neither an offer to exchange nor a solicitation of an offer to buy or exchange any security. The Exchange Offer is only made by the Offering Memorandum and Prospectus. The Exchange Offer is not a recommendation of the Exchange Offer and is not intended to be a recommendation of the Exchange Offer.

BANCO CENTRAL DE COSTA RICA

U.S. Dollar Floating Rate Note Due June 13, 1985

Banco Central de Costa Rica ("Banco Central") is offering to exchange its U.S. Dollar Floating Rate Note Due June 13, 1985 ("Note") for a new Note for a like principal amount of any and all of its outstanding U.S. Dollar Floating Rate Notes Due June 13, 1985 ("Old Notes"). This offer may be accepted by holders of Old Notes on or after September 2, 1985, and the new Note will be issued to the holder of the Old Note on or after September 2, 1985. The new Note will be issued to the holder of the Old Note on or after September 2, 1985. The new Note will be issued to the holder of the Old Note on or after September 2, 1985.

EXCHANGE AGENTS

Bankers Trust Company
Corporate Trust and Agency Group
60 Old Broad Street
London EC2M 1LL
England

NOTICE TO HOLDERS OF EUROPEAN DEBIT RECEIPTS (EDRs)

RYOBI LIMITED
Borrowers are informed that Ryobi Limited has sold a dividend to holders of record after May 14th of Yen 3.75 per Yen 50 Share of Common Stock and the Dividend has been paid to the account of the holder of the EDR.

RYOBI LIMITED

BOR holders may now present Coupon No. 9 for payment. Payment of the dividend with a 15% withholding tax is subject to receipt by the Issuer of the Agent of a valid Acknowledgment of Receipt from the holder of the EDR. The Issuer of the Agent will then issue a dividend certificate to the holder of the EDR.

ANNOUNCEMENT

Announced payable per EDR of 10,000 Shenas against Coupon No. 9. The dividend will be paid to the holder of the EDR on or after September 2, 1985. The dividend will be paid to the holder of the EDR on or after September 2, 1985. The dividend will be paid to the holder of the EDR on or after September 2, 1985.

CHARTER CONSOLIDATED P.L.C.

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER
A final dividend of 7.25p per share will be payable on or after 16th September, 1985 to persons presenting coupon No. 41 detached from share warrants to bearer. The dividend will carry a tax credit of 3.10714p per share.
Coupons, which must be left four clear days for examination, may be lodged any weekday (Saturday excepted) between 10 a.m. and 3 p.m. at the Securities Department of Hill Samuel & Co. Limited, 45 Bech Street, London, EC2P 2LX, or at Credit Lyonnais, 19 boulevard des Capucines, 75001 Paris, or at L'Europeenne de Banque, 21 rue Laffitte, 75008 Paris. Listing forms may be obtained on application.
40 Holborn Viaduct
London EC1A 1JX
2nd September, 1985.

CHEMICAL NEW YORK CORP.

U.S. \$100,000,000 FLOATING RATE
In accordance with the provisions of the Trust Agreement, the Company will pay interest on the Floating Rate Notes at a rate of 3% per annum plus the 3-month LIBOR rate, plus a spread of 1/8% per annum.

GAYNES & METCALFE P.L.C.

NOTICE IS HEREBY GIVEN that the Company has been granted a dividend of 10p per share for the year ended 31st March 1985. The dividend will be paid to the holder of the share warrant on or after September 2, 1985.

PERSONAL

THE MARRIAGE BUREAU (Marriage Bureau) is a service which helps couples to find each other. It is a service which helps couples to find each other. It is a service which helps couples to find each other.

CLUBS

THE MARRIAGE BUREAU (Marriage Bureau) is a service which helps couples to find each other. It is a service which helps couples to find each other. It is a service which helps couples to find each other.

FINANCIAL FUTURES

LONDON

THREE-MONTH EURO-DOLLAR
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